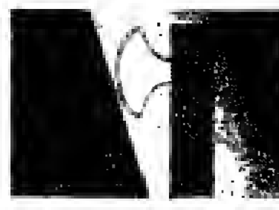
FINANCIAL TIMES

Turkish turmoil
A European trouble spot
Page 15

Kobe aftermath
The message for Japan's builders
Technology, Page 12

State of the union
Clinton fights back
Page 8



Italy's neo-fascists
Putting out the flame
Page 2

World Business Newspaper THURSDAY JANUARY 26 1995 D8523A

Cigarette sales lift Philip Morris profits to $1.1bn

Philip Morris, the US food and tobacco group, shrugged off anti-smoking sentiment in the US and reported a 37 per cent increase in net profits to $1.1bn in the fourth quarter, mainly because cigarette sales in the company's domestic market continued their strong growth. Page 17

Dini government wins approval: The government of Mr Lamberto Dini, the first postwar Italian administration composed entirely of non-politicians, yesterday secured a limited mandate in a parliamentary vote of confidence only after many MPs abstained from voting. Page 16

Rocket hits markets: A missile fired from Norway triggered an international scare, with a Moscow news agency reporting that it had crossed into Russia. The news briefly cut the value of the D-Mark because Germany is Russia's biggest western trading partner. Oslo said the launch was part of a civilian research programme and the rocket went down as planned in north Norway.

Hyundai to reduce subsidiaries: Hyundai, South Korea's largest conglomerate, plans to cut the number of its subsidiaries from 50 to 23 through mergers and disposals within the next three years. Page 17

Dutch bank signs N Korean deal: ING Bank is to become the first foreign financial institution to establish an office in North Korea, the world's most isolated economy, after the Dutch bank signed an agreement with a North Korean partner. Page 17

Ulster settlement gives unionists veto:

UK-Irish proposals for a political settlement in Northern Ireland look set to give unionists an effective veto over the scope of executive powers to be entrusted to new all-Ireland bodies. Sir Patrick Mayhew, the Northern Ireland secretary, and Mr Dick Spring (left), the Irish foreign minister, are due to meet in London today to discuss the proposal. Page 10

Wakeham appointment prompts criticism: The appointment of former House of Lords leader Lord Wakeham, to the board of merchant bank N.M. Rothschild at an annual salary of around £25,000 ($39,000) - has prompted fresh allegations from the Labour party that ex-ministers are exploiting their powers. Page 10

Dublin robbery nets $4.5m: Armed robbers smashed their way into a private security depot in Dublin and stole I£3m ($4.5m) in one of Ireland's biggest robberies. The five-member gang dug through a perimeter ditch and used railway sleepers to construct a bridge into the depot.

Flu epidemic hits Kobe refugees: A flu epidemic broke out among tens of thousands of refugees from the Kobe earthquake and emergency appeals went out for doctors and nurses. $10bn for Kobe port rebuilding, Page 4

Nestlé sales decline: Nestlé, the world's largest foods group, has reported a 1.2 per cent decline in sales to SFr56.8bn ($44.7bn) for 1994 and weaker volume in the fourth quarter. Page 19

Hong Kong bank disappoints: Bank of East Asia, Hong Kong's third largest listed bank, disappointed the colony's stock market in spite of a 38.6 per cent rise in net profit to HK$1.54bn ($199m) from HK$1.1bn a year ago. Page 19

Philippines wants US military in Asia: The US should step up its military presence in south-east Asia, Roberto Romulo, the Philippines foreign secretary, said on a visit to London. Page 4

S Korea approves company expansions: South Korea will permit the country's large conglomerates to expand if the family owners who dominate the industrial groups reduce their shareholdings to less than 20 per cent. Page 16

Hostages held in El Salvador: More than 1,000 former members of El Salvador's armed forces have taken over four public buildings and are holding scores of hostages, in protest at the government's failure to honour redundancy promises. Page 8

Hungarian and Slovakian leaders meet : The prime ministers of Hungary and Slovakia said they had made important progress in resolving differences between their countries. Page 3

Sarajevo mission cancelled: Mediators from the five-nation "contact group" in Sarajevo broke off their mission to Bosnia, accusing the Bosnian Serbs of blocking the way to new peace talks.

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	3,876.16	(+13.46)
NASDAQ Composite	782.60	(-0.60)
Europe and Far East		
CAC40	1,802.46	(+22.29)
DAX	2,026.84	(+8.80)
FT-SE 100	2,982.2	(+13.2)
Nikkei	18,159.5	(+96.75)

■ US LUNCHTIME RATES

Federal Funds	5⅞%
3-mth Treas Bills: Yld	5.937%
Long Bond	95$\frac{13}{32}$
Yield	7.898%

■ OTHER RATES

UK: 3-mo Interbank	6¾%	(6⅝%)
UK: 10 yr Gilt	87$\frac{1}{16}$	(87)
France: 10 yr OAT	95.45	(95.15)
Germany: 10 yr Bund	98.84	(98.72)
Japan: 10 yr JGB	96.178	(96.206)

■ NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$16.71	(16.92)

■ GOLD

New York: Comex		
Feb	380.9	(381.8)
London:		
close	$381.35	(381.7)

■ DOLLAR

New York: lunchtime		
£	1.59065	
DM	1.5175	
FFr	5.2525	
SFr	1.27785	
Y	99.55	
London:		
£	1.5904	(1.5863)
DM	1.5183	(1.5127)
FFr	5.254	(5.236)
SFr	1.2772	(1.2712)
Y	99.69	(99.675)

■ STERLING

DM	2.4146	(2.4148)
Tokyo close:		Y 98.58

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lev100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.80		
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00		
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500		
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000		
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00		

Fed chief warns failure of $40bn aid would threaten free market trend

US urged to agree Mexico deal

By Nancy Dunne in Washington and Ted Bardacke in Mexico City

Mr Alan Greenspan, chairman of the US Federal Reserve, yesterday warned Congress that failure to pass the $40bn Mexican loan guarantee package would threaten the global trend towards free markets and democracy.

Mexico's problems were triggering capital flight in other emerging markets, including Brazil and Argentina, and in "other developing countries ... not even remotely related to Mexico – for example, in Asia and central Europe as well as in a few industrial countries," Mr Greenspan said.

A string of administration witnesses, including Mr Robert Rubin, Treasury secretary, pressed the case for assisting Mexico at a House hearing yesterday, while negotiators laboured behind the scenes on a compromise package in the hope of garnering majority support in both houses.

However, swift passage of the measure appears unlikely, despite initial support from Republican and Democratic leaders. Its progress will be a test of co-operation between President Bill Clinton and the Republican-controlled Congress.

Mr Newt Gingrich, the Speaker, yesterday said the package would not come to the House this week. "I think we'll ultimately get it passed, but I think no one should underestimate how much work is going to have to go into the next week or two," he said.

There was "no base of popular support" for the loan guarantees. If brought to the floor now it would not pass. Mr Clinton would "have to spend more time and more effort explaining why this is important".

The administration argues that Mexico has changed radically since the debt crisis of the 1980s by undertaking economic liberalisation.

This time, "Mexico has experienced a loss of confidence, but the damage is not yet irreversible," said Mr Rubin. "It is critical that we prevent the current situation from deepening into a crisis with lasting implications for US jobs, Mexican economic vitality and the financial prospects of all emerging markets."

Congressional Democrats have been demanding further conditions.

Some are seeking renegotiation of a labour pact negotiated in the North American Free Trade Agreement.

Despite the tussle in Congress, short-term interest rates in Mexican government securities yesterday fell for the first time since last month's devaluation, signalling investor confidence that the package will be approved and that the Mexican peso will strengthen soon.

Rates for Cetes, 28-day peso-denominated government securities, fell 2 percentage points to 37 per cent.

The successful Cetes auction helped strengthen the peso, which at midday was trading at 5.655 to the dollar, up from Tuesday's close of 5.745. The Mexican stock market was down 1.47 per cent at midday. Brokers said worries about higher than predicted exchange rate losses at major Mexican companies were pushing down equity prices.

Fed on course for rate rise, Page 8
Lex, Page 16
World stocks, Page 34

Greenspan: Mexico's problems were triggering capital flight in 'other developing countries ... not even remotely related to Mexico' Picture: AP

Compaq claims PC leadership as profits jump

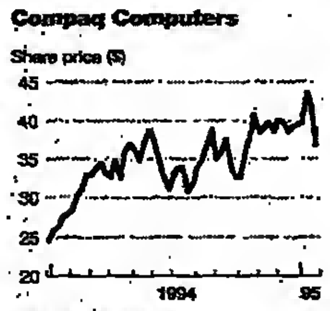
By Louise Kehoe in San Francisco

Compaq Compnter yesterday claimed leadership of the world personal computer market after reporting record sales and a 61 per cent jump in fourth-quarter income compared with the same quarter last year.

However, the gains were not enough to satisfy Wall Street's expectations and Compaq's share price fell in early trading to $34½, from Tuesday's close of $42⅝. Shares regained some ground by mid-session to trade at $37.

Revennes for the quarter to December 31 1994 were $3.25bn, up 48 per cent from $2.2bn in the same period last year. Nst income was $243m, or 90 cents a share, up from $151m or 58 cents a share in the fourth quarter of 1993.

Compaq Computers



Source: FT Graphite

The Texas-based personal computer maker reported record sales of $10.9bn for the year, an increase of 51 per cent from the $7.2bn in 1993. Net income for 1994 reached $867m, an 88 per cent increase from $462m in the previous year.

Compaq's 1994 growth far surpassed that of its largest rivals. Earlier this week, IBM reported that its PC sales had declined and Apple Computer last week reported 15 per cent growth.

Dataquest, the market research company, said that for the "first time in more than a decade, a company other than IBM or Apple Computer leads the world in PC shipments". "Compaq not only leapfrogged the perennial PC shipment leaders, but did so in dramatic fashion by shipping 847,000 more PCs than any other manufacturer."

The stock market "overreacted", said Mr Andreas Barth, senior vice-president and head of Compaq's European, Middle East and African operations. Fourth-quarter earnings were below Wall Street projections of about 94 cents a share. "The analysts got a little ahead of reality, but we had an extraordinary year and a blow-away fourth quarter."

Compaq said it expected strong growth throughout 1995. But Mr Eckhard Pfeiffer, chairman and chief executive, warned that first-quarter earnings may be "relatively flat compared to 1994".

"Last year's first-quarter earnings were exceptionally high due to gross margins [of 27 per cent of revenues] which exceeded the company's financial model," Mr Pfeiffer explained. The company's goal is to maintain gross margins of 23-24 per cent.

Mr Barth said Compaq would launch new servers, desktop, consumer and laptop PCs in the first quarter. Stocks will be maintained at about the current level of $3bn. Over the past few months, Compaq has been reducing inventories.

World stocks, Page 34

Russia sets budget ahead of $6.25bn IMF loan approval

By Chrystia Freeland in Moscow

The Russian parliament yesterday approved the government's 1995 budget, clearing an important hurdle in negotiations between Russia and the International Monetary Fund for a $6.25bn standby loan.

But western economists warned that the political crisis triggered by the war in Chechnya, and concerns that the budget is not tough enough to control inflation, still stand in the way of agreement with the IMF.

To secure parliamentary approval for the budget, the government was forced to make special concessions to the Russian farm lobby, and pledge to increase social welfare spending.

Parliament rejected the budget in two votes yesterday morning, but passed the bill on a third ballot after the government agreed to impose a 1.5 per cent tax on top of the existing 20 per cent VAT. The additional tax, which government officials predict will raise more than Rbs5,000bn ($12.32bn), is earmarked for farm subsidies and social welfare.

The government was also forced to agree to amendments which have pushed the target deficit op from Rbs71,700bn to Rbs73,200bn. Even the lower figure proposed by the government had been criticised by the IMF.

Officials of the finance ministry, which has been lobbying deputies over the past few days to win approval for the budget, greeted yesterday's vote as a significant victory. "We have won. This is wonderful news," said Mr Jochen Wermuth, a western economist working within the ministry. Mr Wermuth said that by fixing levels of expenditure, approval of the budget means approval of the government's macro-economic stabilisation plan for 1995.

Mr Wermuth predicted that, if Russia secures IMF assistance with the current budget, annualised inflation by the end of the year could be down to 10 per cent from an estimated 300 per cent last year. He also said the rouble, which has fallen steadily against the dollar over the past month, could stabilise.

But western economists remain sceptical about many of the figures in the budget, including the government's modest estimates for the costs of the Chechen war. An even bigger obstacle to IMF approval, according to Russian and western officials, is continued political uncertainty in Moscow.

Russian officials said Prime Minister Viktor Chernomyrdin has planned the 1995 budget, but President Boris Yeltsin has not been closely involved. The IMF is reluctant to extend serious assistance until it is confident that Mr Yeltsin, the only figure in Russia with clear authority, supports the government and its economic programme.

Veba to take 10% stake in Cable & Wireless

By Alan Cane in London and Michael Lindemann in Bonn

Veba, owner of Germany's second biggest energy utility, will announce today it is taking a stake of about 10 per cent, worth some £800m, in Cable & Wireless, the UK telecoms operator, to cement a commercial alliance.

Lord Young, C&W chairman, is expected to give details this morning in London of a partnership between the two companies aimed at seeking a licence to operate telephone services in Germany after Deutsche Telekom's monopoly ends in 1998. The two companies are already partners in a consortium to run a new French mobile telephone network.

Cable & Wireless, owner of 80 per cent of Mercury Communications in the UK and a majority stake in Hong Kong Telecom has been talking to a number of potential partners in mainland Europe over the past months. Its entire market capitalisation of £7.98bn is roughly equivalent to the value of its holding in Hong Kong Telecom.

Veba will be the third German company to team np with an international operator in a bid for a share of Europe's most lucrative telecoms market. British Telecommunications and Viag, the energy-based conglomerate, joined forces two weeks ago.

Thyssen, Germany's biggest steelmaker, said two days ago that it would enter the fray with BellSouth, one of the largest of the US regional telephone companies. RWE, Germany's biggest utility, is also looking for an international partner.

Veba has already started to realise its ambitions in telecoms, for which it last month set aside DM8bn ($5.2bn) to invest in partnerships. It holds a 28.5 per cent stake in E-Plus, Germany's third mobile phone network, which began operations last May and has just over 30,000 clients. It has also spent $140m on a 10 per cent stake in Iridium, a venture which plans to offer global wireless communications from handheld telephones in 1996.

Continned on Page 16

CONTENTS

 No 32,584 Week No 4 LONDON · PARIS · FRANKFURT · STOCKHOLM · NEW YORK · TOKYO

NEWS: EUROPE

Moscow tightens controls on investment

By Chrystia Freeland in Moscow

The Russian Central Bank has warned western investors and law firms of tighter licensing controls over hard currency investments.

The bank's new code, which has already affected at least one investor, has raised fears among western investors and lawyers about foreign investment instability in Russia.

"Not everyone knows about this new policy in the Central Bank, but those who do are extremely worried," said Mr Jacky Baudon, a partner in the Moscow office of the British law firm Freshfields. "This makes investment in Russia riskier and therefore more expensive."

Another lawyer said the new procedure appeared to be part of a trend over the past few weeks which had seen the emergence of a more hostile climate in Russia for foreign investment.

"It's like the new law on oil exports, which has actually made things more difficult for western companies," said Ms Chris Ferguson, a lawyer at the British law firm Norton Rose. "It has not been a good month for foreign investment."

In letters sent to western law firms and banks over the past few weeks and in response to queries, the Central Bank has said it requires licences for hard currency investments by non-residents.

Particularly troubling to western investors is the fact that the bank is justifying its new procedure on the basis of a reinterpretation of existing legislation, rather than on a new law. Over the past few weeks there have been several signs that a hardline lobby, hostile to foreign investment, has emerged in the bank. The new procedure is thought to be one result of the lobby's influence.

"This is a situation in which clarity is absent and the banking authorities benefit from that lack of clarity," Mr Baudon said. "It allows them to be flexible in their interpretation, but for foreign investors it creates a situation where you have constantly to be telephoning the Central Bank to be certain of your status."

A report prodnced yesterday by Norton Rose on the new procedure warned that, "given that breach of the Central Bank regulations can result in property confiscation ... until the situation is resolved, western investors should ensure existing and future arrangements comply with Central Bank regulations".

One western lawyer in Moscow said a client – an investor in a St Petersburg enterprise – had already been affected by the bank's new procedure and had been unable to receive cash dividends from shares in the enterprise because he had not received a licence for his initial investment.

Western lawyers also warn that the Central Bank might try to enforce the new procedure retroactively – a move which would put many investments made since 1991 in jeopardy. "Sure, there's a danger thet the bank will try to apply this retroactively," Mr Baudon said.

Call to punish EU club's rule-breakers

By Lionel Barber in Brussels

Member states of the European Union which opt out of common policies or refuse to apply club rules should be relegated to second-class membership or face sanctions, according to a report by a leading Brussels think-tank on the 1996 intergovernmental conference (IGC).

The Centre for European Policy Studies proposals mark an attempt to draw a line in the sand between the UK, which wants a flexible Union with opt-outs, and the integrationists led by Germany and the Benelux countries, who want significant progress toward a political union at the IGC.

They also reflect a mood in Brussels that the Union needs to get tougher with countries which either fail to apply EU law, or engage in unilateral actions such as Greece's trade embargo against Macedonia.

The report's anthors – Mr Peter Ludlow of CEPS, and Mr Niels Ersboll, who retired last year as secretary-general of the European Council – argue that the case for stricter rules and streamlined procedures has strengthened as the 15-member Union prepares for its next round of enlargement.

They say that the chief task of EU governments at the IGC to review the Maastricht treaty is to create a new institutional framework which will allow the Union to operate with as many as 30 members.

Among their proposals are:

- Greater use of majority voting in the fledgling common security and foreign policy. States engaging in "unacceptable or destabilising behaviour" should face sanctions.
- Wider powers for the European parliament which is "the single most important solution" to the lack of accountability or democratic deficit in the Union.
- Closer political ties with central and eastern Europe, as well as gradual reform of the common agricultural policy, with a view to early entry.
- A defence white paper to draw up doctrine and strategy in an enlarged Union. The absorption of the Western European Union into the EU is the most practical solution, but member states may have to proceed in stages.

The report's endorsement of sanctions for "unacceptable behaviour" seems bound to arouse controversy as it could extend to such actions as a unilateral currency devaluation like the UK's in 1992.

The authors concede that a "Big Bang" IGC leading to sweeping constitntional changes is unlikely, mainly because EU governments remain scarred by ratification of the Maastricht treaty.

They conclude that the EU seems certain to retain its hybrid nature, a cross between an association of nation states and a quasi federation. It is also pessimistic about the prospects for tighter co-operation on judicial and immigration affairs, a German priority in 1996.

Preparing for 1996 and a larger European Union. CEPS, Rue Ducale 33, Brussels 1000. Tel: 32.2.513.4088

Madrid seeks to rein in spending

By Tom Burns in Madrid

Spain's finance ministry will attempt to check budget overruns at a cabinet meeting tomorrow as concern mounts over a flight by foreign investors from government debt.

However, the political effect of renewed government resolve to tackle overspending and rising debt costs continued yesterday to be blunted by domestic political issues. A row deepened with the jndiciary over alleged interior ministry involvement in death squads tbat fougbt Basqne separatists 10 years ago.

The general law council, wbicb represents tbe jndiciary, issned a statement deploring attacks hy government officials on jndge Baltasar Garzón, who is investigating the death squads. He has been removed from the case pending a ruling on whether there is a conflict of interest between his role and his former post as a senior interior ministry official.

Figures issued hy the Bank of Spain yesterday showed that Spanish deht held by non-residents fell by Pta963bn ($7.3bn) to Pta2,560bn between January 13 and 20. Sustained pressure on the peseta and the prospect of continned bond market weakness have raised questions abont the cost of financing more than Pta6,495bn of short-term debt maturing between February and July.

Mr Pedro Solbes, who is hoping to trim Spain's budget deficit from an estimated 6.7 per cent of gross domestic prodnct in 1994 to 5.9 per cent this year, will also he seeking tomorrow to impose new spending cuts of Pta150bn to meet treasury estimates of additional government funding brought about hy higher interest rates.

A private sector survey, however, suggests tbat the increase in the costs due to higher rates could be Pta400bn between 1995 and 1996, raising this year's budget deficit to 6 per cent of GDP. The increase chiefly represents the extra cost of financiug short-term government debt; the yield on one-year treasury bills bas risen to 10.2 per cent from 8.6 per cent last September, when the budget was drawn np.

A senior aide to Mr Solbes said yesterday that the Pta150bn figure was "the maximum cost" of additional funding requirements this year, thongh tbe markets remain sceptical. "The economic fundamentals haven't changed. It's that they are being scrutinised much more stringently," said a Madrid broker.

Market fears will not have been eased by an official admission yesterday that, in the first few weeks of this year alone, the finance ministry had identified budget overruns of Pta250bn. Mr Solbes has thus moved to bring forward to tomorrow a review of general government spending that is usually beld in June.

Tudjman turns his gaze to Serbia

By Laura Silber in Belgrade and Bruce Clark in London

Among the western diplomats struggling to hring peace to former Yugoslavia, a mood of cautious optimism has followed the gloom triggered two weeks ago by Croatia's vow to expel UN peacekeepers from its territory.

The move by Zagreb was initially read as a pledge to recover Serb-controlled areas of Croatia by force – even at the risk of triggering another all-out Serb-Croat war – and ruining prospects for Bosnian peace.

Serbian President Slobodan Milosevic stoked the fears when he said this week, after meeting the peace envoy Lord Owen, that Croatia's action would "re-open the possibility of a fresh conflagration with unforeseeable consequences".

Yet despite the harsh words, diplomats see some signs of hope.

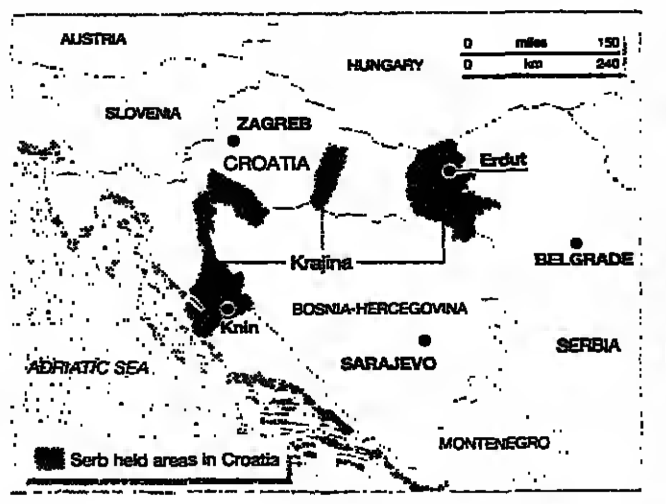
It could be that Croatian President Franjo Tudjman's decision was part of a calculated, but risky, strategy that includes the pursuit of reconciliation with Serbia.

Mr Milosevic's attitude will be a key factor in determining whether the Croatian government can assert control over its territory. If conflict reignites on Croatian soil and the Serbian-dominated Yugoslav army intervenes, the Croats will be outgunned. If there is no intervention from Belgrade, the result would be harder to call.

For the Croatian government, a negotiated reintegration of its territory would be infinitely hetter than war. Here, too, Mr Milosevic is crucial: the rebel Serb politicians in Croatia who hold the key to a settlement with Zagreb are under his influence.

International mediators left Bosnia empty-handed and the Bosnian government pulled out of talks with rebel Serbs yesterday in a day of setbacks to the peace process, writes Paul Adams in Belgrade.

Officials from the five-member international Contact Group left the former Yugoslav republic without persuading the Serbs to give the group's six-month-old peace plan their backing. Meanwhile, the Moslem-led government in Sarajevo withdrew from talks aimed at implementing the recent four-month cessation of hostilities agreement.



So Mr Tudjman has tactical reasons to pursue reconciliation with Mr Milosevic, and there are signs he is doing so.

According to western diplomats, Mr Tudjman warned his Serb counterpart of his move to expel the UN well in advance of the official announcement. Western capitals may have been surprised, but Belgrade was not.

Zagreb announced late last night that Mr Mate Granic, the Croatian foreign minister, would travel to Belgrade at the beginning of next month, signalling a breakthrough in relations.

If Zagreh could patch up its relations with both the rebel Serbs and Belgrade, it would take the sting from the issue of international policing for disputed areas. According to local press reports, Croat officials are floating the idea that the state border be policed by a combined Croat, Serh and international force, while diplomats suggest European Union monitors could be sent to the Serb-dominated areas now patrolled by the UN.

The hints of Serb-Croat conciliation have coincided with strains in the alliance between the Croats and Bosnian Moslems which was put together under international pressure almost a year ago.

If these strains grow, Mr Tudjman will be vulnerable to domestic critics who suspect him of abandoning his Moslem friends in favour of pragmatic deals with the Serbs.

If Croatia succeeds in normalising relations with Belgrade, this would make Zagreb and its Bosnian Croat proxies more accommodating to the demands of Bosnian Serbs, at the expense of the Moslems.

Until recently, pressure from Washington helped keep the Croat-Moslem relationship on track. But the US administration is in danger of losing its influence over Bosnia's Moslem leaders, disappointed hy the flexibility Washington has shown the Bosnian Serbs.

Since Mr Tudjman's announcement, UN officials have reported an escalation of incidents, mostly triggered by rebel Serbs. So even if he managed to patch up one of the conflicts which have ravaged former Yugoslavia – the Serb-Croat standoff – another one, pitting Croats against Moslems, might restart.

Brussels spells out telecoms reform agenda

By Emma Tucker in Brussels

The European Commission yesterday published proposals for dealing with the full deregulation of EU telecommunications in 1998, including ambitious plans to ensure all citizens have access to a basic service.

In a consultation document to be circulated to network operators, industry representatives, users and trade unions, the Commission addresses the creation of a solid regulatory framework within which new companies will be free to compete against traditional state operators while preserving a "universal service".

Many member states attach great importance to guaranteed access, fearing that poorer citizens, or people living in remote areas, will lose out when the sector – still tightly controlled in virtually all EU states – is shaken up.

The document – the second part of the Commission's green paper on the liberalisation of telecommunications infrastructure and cable TV networks – follows an earlier paper setting out the general principles and proposed timetable for liberalisation.

Member states have already agreed that hasic voice telephone services and infrastructures should be opened to competition by January 1, 1998, with five-year delays allowed for Spain, Portugal, Ireland and Greece and a two-year delay for Luxembourg.

Liberalisers argue that the reduction in costs resulting from competition will benefit all Europe's citizens and thet the arguments over universal service are a diversion. But in an attempt to appease the member states with highly protected telecoms industries, the paper devotes much attention to ensuring universal service, defined as "access to a minimum service of specified quality to all users at an affordable price based on the principle of universality, equality, and continuity".

It suggests this could be achieved through a fund, financed by telecoms operators who were not providing a universal service themselves.

According to Mr Jean-Eric de Cockborne, head of telecoms regulatory issues, the Commission favours this option as being more transparent and because it would give companies the choice of either providing universal service in a given area or paying into a fund according to a formula based on their turnover.

The paper also tackles the issue of licensing, recognising that granting licences for telecoms infrastructures, networks and services must remain a matter for national regulatory anthorities. But it says an overall framework setting out general principles, and which strikes a balance between too mnch regulation and reasonahle safeguards, is also required.

The Commission intends to complete its consultations during the current French presidency which lasts until June and to produce, by the end of the year, a package of measures for widespread reform of the regulatory environment.

EU body to speed up approval of new drugs

Pharmaceutical companies and others hope long delays are in the past, writes Daniel Green

An ambitious scheme to cut drastically the time taken for new medicines to reach Europe's doctors and patients is inaugurated today.

Officially, the drugs companies, governments, their medicines agencies and the European Commission welcome the creation of the European Medicines Evaluation Agency (EMEA). Privately, many are apprehensive.

There is already evidence that the Commission's newest agency will have a tough time.

Until now, a drugs company that wanted to launch a new drug across the $50bn a year European drugs market has had to submit applications to each of the 15 European Union medicines agencies.

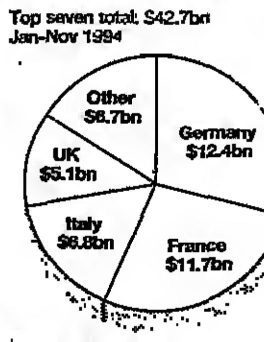
Some, such as the UK and France, often reached a decision in less than a year. Others, such as in the biggest market, Germany, could take five.

Mr Fernand Sauer, the EMEA's French executive director, says thet his London-based agency will make a scientific recommendation on a new drug within 210 days. The Commission has a further 90 days for translations and certification. Its decision is binding on all member states.

Using the EMEA is optional for the next three years, except for biotechnology drugs. At the end of the transitional period, almost all new medicines must be submitted either directly to the EMEA – the centralised process – or to a national agency under tbe EMEA's aegis – the decentralised process.

European drug sales

Top seven total: $42.7bn
Jan-Nov 1994



Source: IMS International

Patients and doctors have the most to gain from the new regime. The disheartening pause between the pnblicity that surrounds successful trials of a new drug and its arrival on the market should be shortened.

Drugs companies, too, are likely to benefit. The revenue a medicine earns is limited by its patent life, usually 20 years. An industry rule of thumb is that an average patented drug has worldwide sales of $1m a day. Europe accounts for about 40 per cent of the world market, so adding just one year to the sales life of a new drug should add an average of more than $150m to the revenues generated by each new product launched.

Companies will be relieved of the hurden of submitting 15 separate national applications for a drug approval. Mr Nick Bosanquet, professor of health policy at Imperial College London, estimates that each company will need up to 90 fewer staff as a result.

With the creation of the EMEA, the Commission has put in place one of the final parts of its single market programme to reduce trade barriers within the EU.

However, some drugs companies fear the EMEA may become a European version of the US Food and Drug Administration (FDA) which has been criticised for its bureaucracy and slowness.

Mr Sauer is sensitive to these fears. He says that even in the EMEA's centralised process, drug evaluation is not done by agency staff, as at the FDA, hut farmed out to the national medicines agencies.

"We are not going to have 3,000 people in-house doing the job. If companies are not satisfied with our service, they can go for decentralised approval directly through the national agencies," he says. The industry is also wary of how the smaller countries may use their powers of appeal to obstruct approvals. No longer will their smallness mean they can be ignored.

Member states have plenty of motives to engage in such tactics. At a time when they are trying to control health budgets, rapid approval of expensive new drugs could mean higher drugs bills.

Sir Richard Sykes: idea might not get support it needs

At the same time, national medicines agencies do not want to be shown up as inefficient by the EMEA.

Even Germany has found an unexpected turn of speed, approving a Wellcome drug, Panorex, in the last week of 1994, just five months after its submission.

Meanwhile, in Brussels, the amount of cash earmarked for the agency has already been cut once, in November.

Perhaps it is not surprising that Mr Sauer is already feeling beleaguered. "Sometimes I think that my only friends are the heads of the other agencies," he says.

But he knows his adversaries and allies. At 47, he is a trained pharmacist who switched to drugs industry administration in 1973.

In 1979 he moved to DG III, the internal market and industrial policy division of the European Commission. He rose there to head the pharmaceuticals division.

Few doubt the good intentions behind the EMEA and its determination to succeed. Many fear that the obstacles ranged against it may prove overpowering.

Sir Richard Sykes, chief executive of Europe's biggest drugs company Glaxo, says: "It's a good idea hut it might not get the support it needs. If it fails, it won't be through lack of effort on the EMEA's part."

There are those who are more optimistic. They hope that a strong EMEA could help turn Europe into a force to match the US in the healthcare industries.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
F

Fini snuffs out fascist flame to try to boost party

Robert Graham reports on the National Alliance's quest for a new identity

The exercise has been dubbed "putting out the flame". The flame in question has for 45 years been the symbol of the neo-fascist Italian Socialist Movement (MSI), the unashamed heir to the ideals of Mussolini. In a five-day congress that opened yesterday at the spa town of Fiuggi, 80km south of Rome, the MSI is due to be voted into oblivion – and, in a special ceremony, a laser light in the conference hall will literally snuff out the old flame.

Replacing the MSI will be the National Alliance (AN), brought into existence a year ago by Mr Gianfranco Fini, the movement's leader, to underline the emergence of a modern Italian rightwing party with a broad electoral appeal which has buried the fascist past.

The congress thus marks an historic step in the evolution to full political respectahility of the Italian far right.

Significantly, the move to modernise the right and come to terms with the fascist past follows long after the left's agonised break with its own communist antecedents and the espousal of social democracy.

The Italian Communist party was wound up in 1990, spawning the Party of the Democratic Left (PDS) and a hard-core rump that formed Reconstituted Communism.

It can be argued that the political respectahility acquired by the PDS has also helped the MSI become more mainstream.

The MSI/AN has seen its fortunes rise dramatically on the back of its alliance with the Forza Italia movement of Mr Silvio Berlusconi.

Having won 5-6 per cent of the national vote in elections from the early 1950s onwards, the far right emerged as a formidable force in last year's general elections after more than doubling its vote.

The latest opinion polls give the MSI/AN some 17 per cent of voter support, making it one of the three largest parties. With some 400,000 members, the party is second only to the PDS in terms of organisation. The strongholds of the MSI/AN are around Rome and to the south where it has taken over much of the former Christian Democrat vote, especially in areas of high unemployment. Mr Fini stands to be a main beneficiary of any slip in the fortunes of Mr Berlusconi, and any break-up of Forza Italia.

The National Alliance is dropping the flame in its logo

The main document laying out the philosophy of the AN sums up its roots: "The political right is the son of fascism. The values of the right predate fascism, have accompanied it and now leave it behind. The cultural roots of the right are rooted in Italian history before during and after the fascist era."

The document concludes by giving a long list of cultural mentors that go from Dante and Machiavelli through to Mazzini and even Gramsci, the chief ideologist of the Italian left (who died in a fascist jail).

The statutes themselves reject totalitarianism and make all the right noises about anti-Semitism.

The idea of state envisaged hy the reborn movement rejects federalism and endorses a presidential system of government, with parliament elected fully by a first-past-the-post voting system.

On economic policy, the AN steers an ambiguous path between supporting a market economy and backing a strong state presence, especially in the south – indicating that the movement's ideas are far from clear.

There appears to be a strong residual affection for Mussolini's corporatist state.

The congress was prepared on the basis that the right-wing coalition, of which the MSI/AN was an integral part, would still be in office.

However, the fall of the Berlusconi government has once again placed the movement in opposition and this could allow the MSI hardliners more space to make themselves heard, damaging Mr Fini's carefully constructed image of the moderates being in control.

Despite the huge organisational effort of Mr Fini and his supporters, the old fascist guard will resist putting out the MSI flame.

Indeed, Mr Fini may well face the problem of having to expel the hard core of the MSI who want to hang on to both their fascist symbols and their national socialist ideology.

Seasoned trouble-makers like parliamentary deputy Pino Rauti or Mr Teodoro Buontempo, have signalled their intention to do battle.

This in turn could expose the serious divisions within the party and remind Italians that the movement's organisation remains in the hands of people whose ideas and habits have evolved much less than Mr Fini would pretend.

As such, the new party is not an easy partner in government for anyone other than Mr Berlusconi.

نقلا عن الأصل

NEWS: EUROPE

EUROPEAN NEWS DIGEST

Lang quits the race for Elysée

Mr Jack Lang, the former French culture minister, yesterday pulled out of the contest to win the French Socialist party's nomination as presidential candidate. He threw his support behind Mr Henri Emmanuelli, the party leader, whose chances of beating Mr Lionel Jospin for the nomination vote next week are thus strengthened.

Ironically, Mr Lang's decision to pull out of the race on the closing day for nominations coincided with an opinion poll suggesting that of the three Socialist contenders only the flamboyant former culture minister might do well enough in the first round of presidential voting to make it into the final run-off. But Mr Lang, who in declaring his candidacy last week had already hinted he might desist in favour of Mr Emmanuelli, said last night "a three-way clash is too damaging to the left". Fears that the Socialist party might be about to self-destruct completely at its February 5 nominating convention prompted Ms Sègolène Royal to resign on Tuesday as president of the party's national council after her calls for unity fell on deaf ears. *David Buchan, Paris*

Anger at French education plan

French students and teachers reacted angrily yesterday to details of an official report which calls for radical reforms to the higher education system. Accounts of the recommendations in the report, which has not yet been officially released, said it called for the replacement of student grants with loans and increases in tuition fees. The report, which was commissioned by Mr François Fillon, higher education minister, was written by a panel chaired by Mr Daniel Laurent, head of Marne La Vallée university outside Paris. It does not represent official government policy. It calls for greater regionalisation of the centralised higher education system, and the introduction of sponsorship from industry. It also suggests that there should be greater work experience and more vocational and technology elements within the curriculum. Teachers and students unions, which are preparing for a day of protest at education policy in early February, were outspoken in their criticisms. Mr Roger-Gérard Schwartzenberg, former minister of universities, called the report "a manifesto for inequality" driven by "ultra-liberal logic". He said French universities did not need "Americanising" but rather "democratising to increase equality of opportunity". *Andrew Jack, Paris*

Major gives Chechnya warning

Mr John Major, the UK prime minister, yesterday warned Russia's president Boris Yeltsin that international patience with military action against nationalist rebels in Chechnya may be running out. Mr Major called for an end to tha fighting in a private letter to Mr Yeltsin intended to underline UK concern about the handling of the military campaign and the suffering of civilians in the rebel republic. Downing Street did not release the text of the letter. However, it was understood to reflect Monday's communiqué from European Union foreign ministers in Brussels, which condemned violations of human rights in Chechnya. In line with the EU decision, the letter made no direct link with the continuation of western aid to Russia. But Mr Major was said to be putting Russia "on notice" that the issue may arise unless the fighting ceases quickly. *Kevin Brown, London*

Kohl begins key talks on jobs

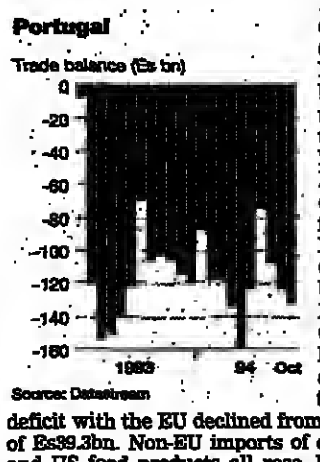
Chancellor Helmut Kohl last night began critical talks with German trade unions and industry leaders, hoping to persuade them to accept a four-day working week and other measures which would spread the available work among more people and improve prospects for the 1.1m long-term unemployed. The talks, which have been planned for months, mark the most important meeting of employers and employees at a time when Germany is still fighting to cut its high labour costs. However, it remained unclear how successful Mr Kohl would be in persuading the unions to extend the working week into Saturday, a subject they have traditionally refused to discuss. The meeting takes place at a time when both sides are still at odds over wage rises. *Michael Lindemann, Bonn*

Hungary, Slovakia improve ties

The prime ministers of Hungary and Slovakia said yesterday they had made important progress in resolving differences between their neighbouring countries and hoped to reach an agreement on a much delayed friendship treaty by the end of March. Mr Vladimir Meciar, the Slovak prime minister, said be was confident they could put the past behind them and develop good relations in future. Mr Meciar added that the two countries agreed to support each other in their efforts to join the EU. Relations have been strained in the past over the treatment of the ethnic-Hungarian minority in Slovakia and the controversial Gabcikovo hydro-electric dam on the river Danube between the countries. Mr Gyula Horn, the Hungarian prime minister, said Slovakia had agreed to guarantee minority rights to western European standards and to sign a separate agreement on minorities. *Virginia Marsh, Budapest*

ECONOMIC WATCH

Portuguese trade deficit rises



Portugal's monthly trade deficit increased by Es8.4bn (£33.5m) in October to Es132.5bn, according to preliminary results released yesterday by the National Statistics Institute, the INE. Imports rose Es15.3bn from Es359.6bn to Es374.9bn while exports increased Es6.9bn from Es235.5bn to Es242.4bn. However, the monthly trade deficit with the European Union fell Es6.3bn to Es83.5bn. The total January-October deficit was Es15.3bn higher at Es1180.5bn, a 1.3 per cent increase on January-October 1993. Meanwhila, the deficit with the EU declined from Es756.3bn to Es717.0bn, a fall of Es39.3bn. Non-EU imports of oil, Japanese consumer goods and US food products all rose, but there was a vigorous EU export performance from textile and wood product sectors.

■ The Dutch consumer confidence index rose 7 points in January to a neutral level of -1, after falling 14 points in the last quarter of 1994.

■ Denmark's wholesale price index was up 0.2 per cent in December month-on-month, an increase of 2.5 per cent year-on-year.

Swedish deficit cut 'will save welfare'

It's my social democratic duty, finance minister tells Hugh Carnegy and Christopher Brown-Humes

EUROPEAN INTERVIEW

Mr Gōran Persson, Sweden's finance minister, shows a flash of his renowned political steel when asked about industrial leaders' criticism of his attempts to cut the country's big budget deficit.

"I have inherited this [deficit] from the industry federation and their political allies," he declared, referring to the right-centre coalition toppled by Mr Persson's Social Democratic party in the general election last September.

He brushes aside the complaint, most audibly sounded by eight top industrialists this week in a letter to Mr Ingvar Carlsson, the prime minister, that the government's policies threaten Sweden's economic future by placing too much emphasis on tax increases, not cutting deeply enough into the expensive welfare state and not addressing issues such as labour market reforms.


Gōran Persson: does not rule out further cuts

"They have tried their policy, because they were in fact in power for three years," Mr Persson said in an interview on the day the industrialists – led by the chiefs of Volvo, Electrolux and Ericsson – were discussing their criticisms with Mr Carlsson. "We have now one important structnral reform in the Swedish economy to handle and that is to fight the deficit," said Mr Persson. "There you have the most crucial question. If you can't handle that structural question all the other questions will be impossible to tackle."

He made clear that, unlike the strategy urged on him by many in the private sector, his emphasis was on the need to tackle the deficit in order to save the welfare state, rather than the other way around.

"If we can't handle the state finances the welfare sociaty will die and the welfare society is our baby. We are not going to kill our own baby. It's my task to lead that struggle against this deficit to maintain the core of the welfare society. It's an extremely important social democratic political task."

Nevertheless, the intervention of the industrial leaders was ill-timed for Mr Persson. He is due in London today as part of a campaign to persuade sceptical financial markets that a series of measures taken hy the government – most recently in its 1995-96 budget proposals earlier this month – will achieve his target of stabilising the public debt in 1997.

Persuading the markets is a vital part of the equation because worries about the debt – about 90 per cent of gross national product and rising – have led to Swedish long-term interests rates of around 11 per cent, more than 3 percentage points above benchmark German levels. Getting them down is crucial to cutting government borrowing costs and belping to spur a so far modest economic recovery. Measures taken by Mr Persson and the previous government will over four years "strengthen" the budget by Skr114bn (£9.7bn), wrestling down last year's deficit of some SKr200bn, or 13 per cent of GNP, to 7 per cent of GNP in 1997.

But critics say spending cuts introduced by the Social Democrats of almost SKr55bn are at least SKr10bn short of the required amount; they also say the SKr40bn in tax increases brought in since the election will squeeze growth.

Mr Persson did not rule out having to make further cuts to solve what he called "a deep crisis" that must be overcome before tbe economic cycle turns down. "I am quite confident, hut you can never be sure. And if I haven't done enough, I will have to do more," he said.

"I must convince avery Swede of the necessity" of controlling the deht, he added, remarking frankly that the country had suffered from not delivering in the past what it promised in fiscal and monetary policy. "We have bad enough in Sweden of seminars about what we ought to do. We have never done it. I am now going to do it," he insisted.

The minister did not deny that the public sector bad got out of hand in Sweden, where public spending accounts for 70 per cent of GNP, the highest level among industrialised countries. But be declined to set a target for where the balance between the public and private sector should lie.

That may add to the discomfiture of industry and the financial markets. But defending tbe public sector is an important element in the difficult task of persuading the pro-welfare Social Democratic rank-and-file, including the powerful trade unions, to accept spending cuts.

As a Social Democratic finance minister, delivering as mucb as be has already promised is tough enough without having to contemplate more spending cuts. And in his unspoken hut clear ambition to succeed Mr Carlsson as party leader and prime minister, the Social Democratic constituency matters much more to Mr Persson than the leaders of international corporations or bond dealers in London.

"I am taking very hig political risks," he said. "It is not possible to handle this situation without taking those risks. "And of course if you fail to reach the target, disappointment is too weak a word. I am standing or falling with it."

Kobe gets down to the rebuilding

Gerard Baker reports on the surprising degree of progress made

As the efforts of the rescue teams yield the last few victims of Kobe's earthquake, the city is beginning the daunting task of rebuilding. While the initial response of the authorities to the catastrophe has been widely criticised as dilatory, there were signs yesterday that the process of reconstruction is being pursued with vigour.

Most striking progress is the demolition of the toppled section of road that has become almost an icon of Kobe's destruction. Yesterday, 40 heavy earth-moving machines hacked away at tha remaining section of road and pillars in the crumpled 400-metre stretch of the Hanshin Expressway. The work is expected to be completed in a week.

Less certain is how long it will take to rebuild. The very design basis of Japanese elevated roads is under review as a result of the earthquake, and it could be years before final decisions on road construction are reached. Meanwhile Kobe will have to cope with having its main routes at well below half-full capacity.


Two high school girls yesterday offering prayers amid the rubble where a classmate died in Kobe's earthquake *Reuter*

The Hanshin is just one of dozens of main thoroughfares that have become impassable, blocking the region's arteries. The journey from Osaka to Kobe by road, a distance of 30 miles, takes about three-and-a-half hours. Even that is an improvement on last week, when it could take six hours.

One factor increasing the congestion is the flood of volunteers commuting daily to the Kobe area with supplies of food, water and clothing for the city's 200,000 homeless. As the scale of the tragedy became gradually clearer last week, the numbers offering help swelled to astonishing proportions. A daily throng of thousands takes whatever transport it can to assist in the rebuilding.

Substantial progress has also been made in restoring utilities. By late yesterday, it was estimated that more than 95 per cent of homes had electricity restored, and most now have some form of access to water. But the degree of dislocation to gas supplies remains considerable.

Mr Hiroshi Kishimoto, of Teikoku Ekika Gas, a gas maintenance company, said many mains pipes had been punctured, leaving an estimated 800,000 people still without gas. "The gas lines are often under the main roads, so this is making ths transport problems much worse."

Rail links are strengthening daily. Yesterday, West Japan Railway Company (JR West) opened another station on the Osaka-Kobe line, a day ahead of schedule. Ashiya station was virtually destroyed in the quake but JR engineers, battling since the first day to reopen the line, have achieved a rate of one station a day.

According to Mr Masaru Tamura, president of the Kobe branch of JR West, and one of those who have not returned home since the disaster, that rate will be impossible to maintain from now on.

The work done so far has been basic repairs to the tracks and ground. But for a 30-mile stretch either side of the centre of Kobe, there are countless bridge collapses and landslides. "We cannot even guess how long this will take," he says.

Worse hit is the Shinkansen "bullet train" line. The tracks, specially built for the super-express trains, are carried on elevated rails. In dozens of places, the supports for the line have crumbled. Mr Tamura says they will take four to five months to repair.

But to JR's discomfiture, it was discovered this week that inside several of these pillars were large wooden blocks, thought to have been concreted in by accident when the tracks were laid 30 years ago. Any worries over its strength will damage the bullet train's prestige; there has never been a fatality on a Shinkansen, which JR attributes to building standards it claims are the highest in the world.

Kobe's progress so far has been impressive, thanks to both official and volunteer efforts. But as more of the preliminary work is completed, the task facing the rebuilders looms larger and the implications are becoming clearer.

Until the spring at the earliest, one of the country's more important lines of communication has a gaping hole in it, and the movement of people and supplies along it is at a near-standstill.

See Technology Page: Japan's confidence rocked, Page 12

New port likely to cost $10bn

By Michiyo Nakamoto in Tokyo

The rebuilding of Kobe's famous port, destroyed by last week's earthquake, is likely to cost about Y1,000bn ($10bn) and will take several years to complete, city authorities said.

The port's more than 20 wharves have been made unusable by the quake and "to return that to its former state is likely to take more than three years," an official at the port authority's construction division said yesterday.

City officials are concerned that unless restoration work is carried out swiftly, Kobe, which has a long history as a base for ships travelling between east and west, may never regain its status as Japan's leading port.

"Shipping companies can switch to any othar port. There is no guarantee they will come back," a Kobe city official said.

Nippon Yusen, Japan's largest shipping company, said it has had to turn down shipments to and from Kobe for the time being. Shipping companies forced to re-route shipments from Kobe do not know yet when they will be able to return there.

The cost to Kobe City of rebuilding port facilities ia estimated at Y940bn but the cost to the private sector, which has lost many warehouses and cargo handling facilities, will add much more to the final amount.

Kobe is set to lose nearly 40 per cent of its overall tax revenues which were derived from port and related activities.

The city has sent divers down to survey the damage to wharves, and has started to put together a plan for reconstruction. "We must rebuild as soon as possibls so shipping activity can resume swiftly. If one company can come back, other shipping companies will see that happening and take their opportunity to return," an official said.

Demand for Tokyo rental property rises

By Emiko Terazono in Tokyo

As residents and companies continue to leave Kobe following last week's earthquake, estate agents are seeing a rise in demand for office and residential space in Osaka and Tokyo.

Demand for rental property there is likely to harden up the market, which has suffered from over-supply during the past few years. Land prices in Kobe, on the other hand, are expected to be hit in the short term as sellers move to other parts of the country.

In Osaka, corporate demand for rented apartments is rising as companies seek housing for employees who have lost their homes. Nearby prefectures in the Kansai region around Osaka, such as Wakayama and Nara, unaffected by the earthquake, also expect to see a rise in demand.

"Many of the companies based in Kobe are being forced to move to Osaka or Tokyo," says K K Halifax Associates, a property agent developer. The Japanese arm of Procter and Gamble, the US consumer goods manufacturer, which had headquarters in Kobe, is planning to move to Osaka this week.

The main question is how far the likely plunge in Kobe property prices will affect the market in other parts of the country in the long term. Some believe that investors will start taking earthquake risk into account when choosing a location, sending property prices in threatened areas lower.

Ground liquefaction in Kobe port, where man-made islands have turned to mush, is another factor likely to depress property prices of areas in Tokyo where waterfront redevelopment has proceeded on reclaimed land. Land prices of areas including ths Koto ward in eastern Tokyo, and Urayasu where Tokyo Disneyland is situated, are expected to be hit, says Ms Keiko Ohtsuki, analyst at Morgan Stanley.

Meanwhile, reconstruction following earthquake damage is likely to divert public funds previously used to buy land. Central and municipal governments have been active buyers of land over the past few years as economic stimulus packages have sought to shore up faltering property prices.

According to Mr Etsusuke Masuda, analyst at brokers James Capel in Tokyo, central and municipal governments and other public organisations accounted for 23 per cent of land transactions in 1992, up from 10 per cent in 1989. This could decline sharply as the earthquake has drastically altered priorities for government spending.

Other analysts doubt whether national property prices are vulnerable to such factors, arguing that Japanese land prices do not reflect theoretical investment values in the first place.

"Land in Tokyo is mostly held by Japanese and it's unlikely they'll rush to sell because of the earthquake in Kobe," says Mr Jun Konomi at Nomura Research Institute.

Thai Bank seeks to reassure foreign investors

By William Barnes in Bangkok

The Bank of Thailand has sought to reassure foreign investors its current account deficit was both fundable and useful following sharp selling pressure on the baht inspired by Mexico's economic crisis.

Mr Bandid Nijathaworn, the central bank's deputy director of economic research, argues that "the current account deficit reflects a strengthening of the economy, not a weakening. The rate of capital formation has been growing faster than the economy [more than 9 per cent against more than 8 per cent] for the past four years".

The baht was one of several Asian currencies to feel the "Mexican wave" but it is vulnerable to changing sentiment against emerging economies because, like Mexico, Thailand runs a hefty current account deficit and has increasingly relied on short-term foreign capital to fund it.

The baht was hurt by rumours it was a devaluation candidate, but has now stabilised at about previous levels of Bt25 to the dollar after touching Bt26 in mid-January.

The Bangkok stock market remains near its 1994-95 lows, and Thai financial authorities this week hastened approval for two open-ended mutual funds of around Bt1.5bn each as a step to boost equity prices. The market has taken a firmer tone in the past two days.

Thailand's current account deficit is expected by the central bank to hava been 5.5-5.9 per cent of gross domestic product in 1994 and to be a maximum 5.8 per cent this year, higher than most of its rivals in the region. Yet the deficit has fallen since 1990 when it reached 8.5 per cent of GDP following a sudden acceleration in the economy that started in 1988.

Mr Bandid points out that Thailand has a solid long-term track record of being able to cope with high growth and current account deficits. "The position is clearly sustainable. The inward capital flow is expanding capacity and leading to higher exports," Mr Bandid says. He points out that Standard and Poor's, the credit rating agency, recently upgraded Thailand's rating from A minus to A.

Foreign investment has not been used to support declining domestic savings: the savings ratio has increased from 32.6 per cent in 1990 to 34.2 per cent in 1994. The exchange rate is backed by foreign currency reserves with adequate import cover and roughly twice the value of short-term foreign capital in the country, estimated at $15bn.

The central bank reckons its forecast 8.5 per cent economic growth this year is "very safe". Neither the Bank of Thailand nor the finance ministry would like to see again the double digit growth rates that ran from 1988 to 1990 until overheating was halted by the Gulf War and the February 1991 military coup.

Mr Bandid says growth levels should flatten out into a "long-term equilibrium growth rate of perhaps 7-8 per cent" once the present phase of rapid capital formation has passed.

The government was moving to sustain progress by adopting a more supportive role rather than being a mere market regulator. "The economic momentum is there – the chemistry works."

ASIA-PACIFIC NEWS DIGEST

US urged to step up SE Asia force

The US government should step up its military presence in south-east Asia, Mr Roberto Romulo, the Philippine foreign secretary, said yesterday. On a visit to London he said Washington should play a greater leadership role in the South China Sea to help stabilise a region which appears to be the main driving force behind a wider east Asian arms race.

"The Philippines believes that the US presence in south-east Asia must be enhanced not because it is the constable of the world but because it must protect its sea links and vital commercial interests." The US, which is the largest overseas investor in the Philippines, has lacked a permanent military base in south east Asia since 1992 after the Philippine Senate voted to end leases on the Clark air base and the Subic Bay naval base near Manila. Since then Thailand has rejected a US request to set up a floating military base in the Gulf of Thailand while Malaysia has hardened its opposition to an American security presence in the region. Concern exists elsewhere, however, about China's blue-water naval ambitions. *Edward Luce, London*

Chinese state sector withers

The share of Chinese industrial output by the atate-owned sector continued to shrink last year to 40 per cent compared with 42 per cent the year before, according to the State Statistical Bureau. The state's share of gross value of industrial output (GVIO) has halved since 1978, the year economic liberalisation was launched. Mr Qiu Xiaohua, the hureau's chief economist, said the gross indebtedness among state-owned enterprises grew 74 per cent last year to Yn600bn (£44.7bn). He blamed the credit squeeze and inflation. Inventories had also ballooned. The government had reduced, however, its direct financial assistance to the state sector from Yn100bn in 1992 to Yn50bn last year. *Tony Walker, Beijing*

Land auction boost for HK

Hong Kong's nervous financial markets took heart yesterday when the colony's first big government land auction for the year produced a better than expected result. Two of the three sites at auction found buyers at prices around or slightly ahead of expectations, although lower than those achieved in the past. A third site, which was not expected to sell, was withdrawn. The Hang Seng index of leading stocks closed at 7,240.72, up 217.82, or 3.10 per cent.

A residential site in Sha Tin, a middle class suburb in the New Territories, was sold for HK$171m (£14m) to a private developer. An industrial site on the island of Ap Lei Chau was taken by Paliberg, a local developer, for HK$230m. Mr Tim Mills, the government auctioneer, said: "Today's result shows there is still some strength in the market." That strength will be tested as the government seeks to auction a further 20 sites before the end of its financial year in March. *Simon Holberton, Hong Kong*

Easier time for Australian rates

Upward pressure on Australian interest rates eased yesterday after the release of official figures showing that the consumer price index rose in the December quarter at an annualised rate of 2.5 per cent. While this is the strongest since September 1981, it is at the bottom of the Reserve Bank's target rate. The increase was due largely to higher mortgage charges. Mr Ralph Willis, federal treasurer, said the underlying rate of inflation, at 2.1 per cent during the December quarter, "is not placing increased pressure on interest rates at this stage". During the last four months of 1994, the Reserve Bank lifted official interest rates three times, pushing rates up from 4.75 per cent in August to the current 7.5 per cent. *Emilia Tagaza, Melbourne*

Goa protests turn violent

India has deployed security forces in the tourist state of Goa after protests against the construction of a nylon factory turned violent and one man was killed. The rioting began on Monday in a flare-up of a five-year-old protest movement launched by villagers and environmentalists opposing the plant, which is 45 per cent owned by Du Pont, the US chemicals group.

Mr Pratapsinh Rane, Goa's chief minister, said protest intensified after Thapar Du Pont, the factory's owner, decided to speed up the construction of the $200m (£126m) plant last November. Environmental activists, supported by farmers and villagers, oppose a plant they say would have "disastrous effects" on horticulture and fishing, Goa's main industries apart from tourism. They say it would release polluting effluents into Goa's two main rivers. *Reuter, Bombay*

Norway in French gas deal

By Karen Fossli in Oslo

Norway yesterday signed a contract to supply 40bn cubic metres of natural gas to Gaz de France, lifting Norway's share of the French gas market to 35 per cent by the year 2005 when deliveries will reach 15bn cu m annually.

The new 26-year deal has a gross estimated value at delivery point of NKr20bn ($3bn). It was negotiated by a sellers' group comprising Total Norge, a subsidiary of the French oil company, and Statoil, Saga Petroleum and Norsk Hydro, all of Norway.

The contract is separate from that of the buge Troll gas accord, under which deliveries to a consortium of European buyers will commence next year. A gas field source of supply for the new deal has yet to be appointed.

Deliveries to France under the new contract will begin in 2001 and reach an annual rate of 2bn cu m in 2005. The deal is contingent on a proposed pipeline from Norway to come ashore in Dunkirk. The planned pipelina is to begin operating from October 1998.

The three Norwegian companies and Total will act as guarantors for the deliveries. Normally Norway's official Gas Negotiation Committee, comprising Statoil, Saga Petroleum and Norsk Hydro, negotiates gas sales deals on Norway's behalf.

For the Gaz de France contract, the three Norwegian oil companies are acting as part of a sellers' group including Total.

Electronics groups hold discussions on averting digital video disc technology war

Sony and Philips in Toshiba DVD talks

By Alice Rawsthorn

Sony and Philips, the consumer electronics companies, are beginning top-level discussions with Toshiba, one of their chief competitors, to try to agree a common strategy for the development of digital video discs (DVD).

Toshiba earlier this week dealt a blow to the hopes of Sony and Philips of establishing their version of the video disc as an industry standard by announcing that it had secured the snpport of Matsushita, the world's largest electronics group, and a number of other companies for its rival disc.

The video disc, which combines the functions of video cassettes and audio compact discs, is seen as one of the most promising new electronic products. However, like any other electronics product, it can realise its full potential only if the entire industry backs a standard format.

Time Warner is manufacturing the new DVD discs at Warner Music Group's CD production plant in Pennsylvania, writes Louise Kehoe. Time Warner has demonstrated that the new double-sided optical discs can be mass produced on slightly modified existing equipment at competitive costs. Test discs have also been made by Toshiba/EMI, Matsushita and Pioneer.

Sony and Philips, which made a fortune from their joint development of the audio-CD in the early 1980s, had hoped that their video disc would become the standard. They privately conceded defeat following Tuesday's announcement that an array of electronics and entertainment companies had declared support for Toshiba's format.

The Toshiba disc is backed by Hitachi, Pioneer and Thomson, as well as Matsushita, in the electronics sector. A number of leading entertainment groups – including Time Warner, MGM/UA, Walt Disney and Twentieth Century Fox – have also announced that they would release their films on the Toshiba format.

Sony and Philips have now decided to open discussions with Toshiba to try to avert a repetition of the damaging video war in the 1970s, when Sony failed to establish its Betamax format as the industry standard against Matsushita's VHS.

The two companies are organising informal meetings in Tokyo at which senior execntives and engineers will meet their Toshiba counterparts to examine the rival technology and to try to agree a common lins on developing video discs.

One option would be to try to incorporate some elements of the Sony/Philips disc into the Toshiba version. However this could prove technically difficult. Also, Toshiba is thought unlikely to concede much because of the strength of its negotiating position.

The most likely outcome is that Sony and Philips will attempt to negotiate favourable financial terms to abandon their own disc and adopt Toshiba's format.

The usual practice in the electronics industry is for the inventor of a standard product to negotiate royalty terms to license its technology to other companies. These royalties can yield substantial sums. Sony and Philips are believed to receive 3 US cents for each audio-CD made worldwide, which would have been worth a total of over $40m in 1993 alone.

However, the terms of the royalty payments vary depending on criteria such as the value of thair own technology to the product's development. Matsushita, for instance, pays relatively low royalties to Sony and Philips for audio-CDs as some of its patents are used in the product.

Sony and Philips now face the challenge of negotiating favourable terms with Toshiba. Their main hope of winning concessions is that some of their audio-CD technology will almost certainly be used in the latter's video disc.

However, they may reconsider their decision to compromise if they cannot secure acceptable terms from Toshiba, raising the risk of plunging the electronics industry into another format war.

Europeans prepare plans for digital radio

By Frances Williams in Geneva and Alice Rawsthorn in London

European broadcasters are joining forces with the electronics industry to finalise plans for the launch of digital radio, viswed as the most important development in radio technology since the invention of the transistor.

Digital radio produces a clear sound of the same quality as compact disc without crackles or interference, even on mobile receivers such as car radios. It is expected eventually to replace existing analogue services and should act as a significant catalyst for Europe's DM400m ($267m) radio market.

The first experimental digital services are expected to begin broadcasting this autumn in the UK, France, Germany, Sweden and the Netherlands. The electronics industry hopes by then to have the first digital radios ready for sale.

The broadcasting and electronic sectors have for some time been collaborating on the development of digital radio technology. The European Broadcasting Union has now formed a special forum to co-ordinate the final stage of the launch. It has scheduled its first meeting in Geneva for late March.

Other than improved sound quality, one of digital radio's main advantages for broadcasters is that each station broadcasts on such a narrow bandwidth that it will be possible to increase the number of available frequencies.

The electronics industry is optimistic that the launch of digital radio will stimulate the radio market. The EBU calculates that there are at present 500m radio receivers in use in Europe, including those incorporated into hi-fi systems, car cassette decks and personal stereos, as well as transistors and radio alarms.

The last catalyst for radio receiver sales was the rapid expansion of personal stereos with radio attachments in the mid-1980s. The European market has been dormant since the late 1980s. Sony estimates that some 5m radio receivers (including those incorporated in other electronics products) were sold last year in the UK alone.

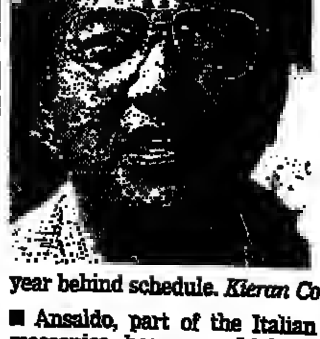
Many European consumers are expected to replace their existing receivers once digital radio comes on stream. The main beneficiary is expected to be Sony, the world'a largest radio receiver manufacturer, together with Germany's Grundig and Philips of the Netherlands, respectively second and third in the European market.

WORLD TRADE NEWS DIGEST

Swiss lift watch exports by 4.9%

The value of Swiss watch industry exports rose 4.9 per cent to SFr7.96bn ($6.3bn) last year. The volume of exports of complete watches fell 13.2 per cent to 37.5m pieces but rose 5.2 per cent in value to SFr6.9bn, due to a boom in watches made with precious metals. Mechanical watch exports rose 8.6 per cent in value to SFr3.45bn in spite of a 10.6 per cent slide in volume to 6.2m units. Exports of alectronic models rose 2 per cent in value to SFr3.66bn but declined 12.1 per cent in volume to 89.6m units. *Ian Rodger, Zurich*

Malaysia warns over rail deal



Malaysia's government has warned foreign and local contractors they face severe financial penaltiea if a M$1.5bn ($600m) rail project is not finished on time. Prime Minister Mahathir Mohamad (*left*) said he was concerned about delays in completing a 150km rail electrification and double tracking acheme round Kuala Lumpur. Blame is focused mainly on Ansaldo Transporti of Italy and the local Sapura Holdings group which are carrying out signalling work. The project is a year behind schedule. *Kieran Cooke, Kuala Lumpur*

■ Ansaldo, part of the Italian state engineering group Finmeccanica, has won a L80bn ($50.3m) order from the Indonesian electricity company to build the third 55MW unit of a geothermal electricity plant on the island of Java. Ansaldo built the first two units of the plant, which is fed by hot water wells and which will eventually generate up to 165MW of electricity. The financial package includes credits from the Italian and Indonesian governments. *Andrew Hill, Milan*

■ Agfa-Gevaert, the film-making subsidiary of the chemicals company Bayer, will create a joint venture to pack colour and X-ray films in China. Agfa will put up 74 per cent of the $10.6m starting capital and the remaining 26 per cent will be held by the Wuxi Aermei Film & Chemicals Corporation in Wuxi, near Shanghai. About DM23m ($15.2m) will be invested to equip the plant, where output is scheduled to start early in 1996. *Michael Lindemann, Bonn*

NEWS: INTERNATIONAL

FIS chief endorses peace platform

By Roula Khalaf in London

Mr Ali Benhadj, the more radical of the two leaders of Algeria's banned Islamic Salvation Front (FIS), has endorsed a peace platform agreed by the country's opposition parties in Rome 10 days ago.

In an eight-page letter, received by the London-based daily Al Shark Al Awsat and France's Liberation, Mr Benhadj says the Rome declaration proved that "the problem is not with the parties or the people but between legitimate parties and a government that has lost all legitimacy".

The Rome declaration proposes negotiations with the army-backed regime leading to a coalition government and new elections.

It has been vehemently rejected by both the army-backed government and by the Armed Islamic Group (GIA), the radical grouping of *Islamist extremists*.

Although the declaration was signed by two FIS leaders in exile – Mr Rabah Kebir and Mr Anwar Haddam – Mr Benhadj's letter lends it greater legitimacy. He is the only FIS leader who can still muster support among hardline Islamists.

By insisting that "the opposition can reach a common programme and work hard to implement it for the benefit of the people," Mr Benhadj, who not long ago called democracy heresy and told Islamist extremists that if freed he would join their armed struggle, seems to be attempting to shift the focus of the Algerian crisis to the political arena.

It also marks a tactical attempt to regain political ground lost to the armed groups.

In a surprise move for a man known for his enmity for France, he cites the French constitution to support his view that people have the right to fight a government that usurps their rights.

Israel to build more West Bank homes for settlers

By Julian Ozanne in Jerusalem

Israel yesterday said it would build hundreds of new homes for Jewish settlers in the Israeli-occupied West Bank despite Palestinian warnings it could further threaten the fragile Israeli-Palestinian peace process.

The decision, by the ministerial committee on settlements, will exacerbate Arab-Jewish tension and cut hopes for peace talks, which have been virtually suspended by Israel since last Sunday's Islamic suicide bombing left 19 Israelis dead.

Mr Binyamin Ben-Eliezer, housing minister, said the committee had decided to sell 800 existing housing units in the settlement of Maale Adumin near Jerusalem and would begin work on a further 1,080 units. The minister also said 350 already constructed homes in Givat Zeev would be sold and up to 800 houses could be built privately. However the committee, apparently at the insistence of left-wing ministers, said it would slow the pace at which settlers could move into the homes.

The decision came as Mr Avraham Shochat, finance minister, acknowledged that the Labour-led government was building in the occupied territories at a pace three times faster than the previous right-wing Likud administration, despite promises to the electorate and the US to freeze new settlement construction.

Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, said yesterday he understood Israel and the PLO had already agreed at a meeting last week that there would be no expansion in settlements or a rise in the number of Jewish settlers living in the West Bank.

Mr Arafat made the remarks in Jordan as he prepared to sign a comprehensive agreement with King Hussein on future Jordanian-PLO relations intended to end months of tension between the two Arab leaders, largely over the status of occupied Arab East Jerusalem.

The PLO claims East Jerusalem as the future capital of an independent Palestinian state but King Hussein, as a direct descendant of the prophet Mohamed, claims to have a special custodian role over the Islamic shrines in the holy city.

The draft accord outlines a compromise under which the PLO acknowledges Jordan's custodial role over Moslem sites while King Hussein backs future Palestinian sovereignty over the city.

The agreement includes six other accords on economics, finance and banking, telecommunications, education, transport, information and administrative affairs.

Meanwhile, Syria yesterday condemned Israel's announcement that it would begin to work on plans to separate Israelis and Palestinians by means of a 380km fence and increased border police patrols.

Zimbabwe economy worries donors

Aid meeting postponed over reform problems, writes Michael Holman

A meeting of Zimbabwe's aid donors scheduled to take place in Paris early next month has been postponed as a result of the government's difficulties in implementing its World Bank supported economic reform programme.

The meeting, at which donors were expected to announce aid levels for 1995, was to take place early next month but has been put off until March, according to officials in Washington and Harare. Last weekend President Robert Mugabe's government, responding to pressure from the Bank and the International Monetary Fund, announced rises in excise duties in an effort to meet shortfalls in state revenue, and cut the higher than anticipated budget deficit.

These are likely to be followed by the imposition of a surcharge on personal and company taxes from April, and possibly some increase in other consumption taxes.

Government officials have suggested that the move was prompted by fears that the country is facing another *drought, comparable to the* 1992 season, when gross domestic product fell by about 8 per cent as agricultural production was cut by a quarter.

Official spokesmen at the Bank and IMF yesterday denied there had been problems in implementation of the programme. However, officials in Washington and Harare privately acknowledged that the weekend move was the culmination of a series of exchanges between the two institutions and the Zimbabwe government.

These began late last year, when it was becoming apparent that the government's failure to follow through with key reforms could put the adjustment programme in jeopardy. Had the government not taken action, donors would have considered cutting aid flows.

Donors have nevertheless become increasingly impatient at what they see as government reluctance to press ahead with reforms, and it is a measure of the pressure that has been applied that it is having to carry out domestically unpopular measures so close to the election, due in March.

However, neither the Bank, the IMF, nor Zimbabwe's main trading partners such as Britain, relished the prospect of a public confrontation with the Mugabe government, portrayed by most donors as a comparatively successful example of economic reform in Africa. Nor, for its part, did Harare wish to risk a shortfall in expected aid flows in an election year. Both sides have thus been anxious to play down the dispute.

Last weekend, after further *talks between Zimbabwe* officials and the IMF and World Bank, it became clear that the government had no choice but to act. Two weeks after promising a statement on higher taxes to finance the widening budget deficit, and in the face of some opposition within the cabinet, Zimbabwe has gazetted increased excise duties on beer, cigarettes and soft drinks.

Price increases for petrol, diesel and bread have already been announced. Inflation, which averaged 22.2 per cent in 1994, is unlikely to fall significantly at least until the second half of 1995, especially given money supply growth of more than 40 per cent last year. No details have been given of the amount of extra revenue from the tax rises.

A fortnight ago, Mr Emmerson Mnangagwa, acting finance minister, said he intended an income and profits tax surcharge of "at least 5 per cent". While the tax rises are no surprise, they threaten to undercut government promises of sharply lower inflation in 1995.

Aside from the new revenue measures, economic analysts in Harare say that the government will have to cut government spending further if Zimbabwe is to keep to the renegotiated terms of the programme.

Most observers in Harare believe this is unlikely before the election.

Although commentators forecast a comfortable victory for President Mugabe's Zanu party, in power since independence in 1980, drought and economic adjustment are taking a *heavy toll. Real incomes are* lower now than at independence, and unemployment has quadrupled.

Although far-reaching reforms have been introduced since the programme got under way, the process has been erratic. Trade has been liberalised, most foreign exchange controls lifted, and investment conditions improved. But public sector reform has been slow, and subsidised state corporations are a heavy drain on government finances, totalling Z$3bn (£226m), or 6.5 per cent of gross domestic product in 1994-5.

Apparently under pressure from donors, a Zimbabwe cabinet committee has recommended liquidation of three parastatals, the sale of government shares in public companies and privatisation of some utilities.

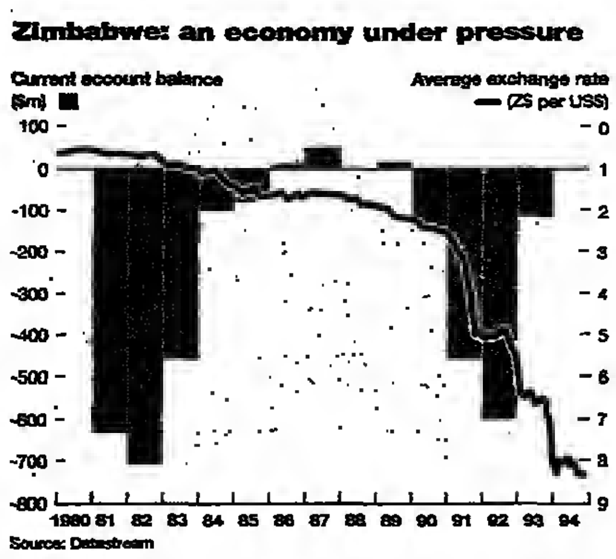
Under the current programme, the budget deficit should have been reduced to 5 per cent of gross domestic product by mid-1995. This assumed that Z$1bn worth of state assets would be sold off by June, and ignores some Z$2bn in state corporation losses. If these items are taken into account, the deficit would rise to more than 10 per cent of GDP.

A further factor in the implementation of the adjustment programme has been government reluctance to cut state spending on defence – the third largest item in the 1994-5 budget, at 3.5 per cent of GDP.

The issue was highlighted at the weekend when an independent Sunday newspaper in Harare reported that two military helicopters were being bought from France at a cost of $48m (£30m). The deal was confirmed by a defence ministry official.

The paper said the aircraft were being bought from Eurocopter, a joint-venture between France and Germany.

Other worrying indicators include the level of public sector debt, which now exceeds Zimbabwe's GDP, while annual interest charges are estimated at 14 per cent of GDP. At the end of 1993, external debt was $3.8bn, with service payments absorbing 30 per cent of exports.

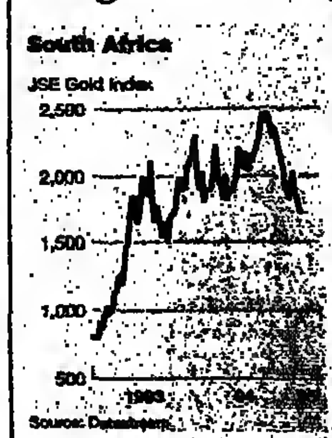


INTERNATIONAL NEWS DIGEST

Italian groups seek Iraq ties

A trade delegation representing small and medium-sized Italian companies will be arriving in Baghdad tomorrow to discuss the improvement of economic and commercial ties with Iraq. An Italian foreign ministry spokesman speaking in London last night played down the significance of the visit. "It is a private visit organised by the Italian-Arab Chamber of Commerce and has not been co-ordinated by our government." Baghdad is hoping Italy, together with France, will bring pressure on the United Nations to lift its sanctions regime. Separately, the Conseil National du Patronat Français confirmed yesterday it was organising its second delegation of senior business executives to Iraq in February. A delegation of UK businessmen is to visit Baghdad on February 15. *Jimmy Burns, London and Andrew Jack, Paris.*

SA gold industry earnings fall



South Africa's gold mining industry, which contributes about 4.5 per cent of GDP and employs 360,000 people, reported a fall of over 20 per cent in net earnings in the quarter ending December 1994. According to Mr Nick Goodwin, of brokers E W Balderson, total net earnings fell to R549m ($98m) in the past quarter from R713m in the September quarter. Rising costs, a lacklustre gold price, a strong rand and labour instability were expected to continue to hit production and profits. *Reuter, Johannesburg*

Southern Africa meets donors

Southern African nations meet Western donors tomorrow to drum up support for fledgling efforts at economic integration. Officials of the 11-nation Southern African Development Community (SADC) said the group would seek to raise about $3.6bn (£2.26bn) in the consultative conference with donors in Lilongwe, Malawi. The money is to cover development programmes in several key sectors. The SADC comprises Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia, Zimbabwe and South Africa. [illegible] Harare

[illegible]

هكذا منه الأصل

Fed on course for rate rise after Greenspan testimony

By Michael Prowse in Washington

There are differing views on Wall Street about the likely pace of economic growth this year, but near unanimous agreement that the US Federal Reserve will raise interest rates further to curb the economic expansion.

Fed policymakers meet next Tuesday and Wednesday and are widely expected to signal another ½ point increase in short-term rates to 6 per cent – a doubling of rates since last January.

A larger increase, such as the ¾ point increase announced in November, is not out of the question, but is seen as unlikely, given the nervousness in financial markets following the Mexican crisis and the Kobe earthquake.

Many economists expect a further ½ point increase in March and predict that short-term rates will rise to about 7.0-7.5 per cent by the end of the year, unless evidence emerges of a rapid deceleration of growth. Long bond yields are expected to remain more stable, rising to a peak of perhaps 8.5 per cent.

Testifying before the Senate finance committee yesterday, Mr Alan Greenspan, Fed chairman, did nothing to undermine these expectations. If the inflation outlook was not to deteriorate, he warned, the Fed would have to remain "vigilant" – a word that in the past has signalled higher interest rates.

He noted that prices of raw materials and components had risen sharply and cited growing evidence that "firms are considering marking up the prices of final goods to offset those increased costs." In the labour market, reports of shortages of workers were growing more frequent, reflecting jobless rates in many regions that were lower than at the peak of the 1980s' expansion.

Some analysts believe that a plunge in the unemployment rate to 5.4 per cent last month and a sharp rise in the rate of industrial capacity utilisation to more than 85 per cent have greatly increased the danger of economic "overheating." Yesterday Mr Greenspan warned economists not to read too much into such rule-of-thumb inflation thresholds.

In modern economies "output levels may not so rigidly constrained in the short run. . . the appropriate analogy is a flexible ceiling that can be stretched when pressed; but as the degree of pressure increases, the extent of flexibility diminishes."

Mr Greenspan hinted that the long-run potential rate of economic growth might have risen somewhat following extensive industrial restructuring in recent years and signs that the US was regaining its former global dominance in several high-technology sectors, such as computer software.

However, "the fact that labour and factory utilisation rates have risen as much as they have in the past year or so does argue that the rate of increase in potential is appreciably below the 4 per cent growth rate of 1994."

The bottom line for the Fed is that the economy cannot grow for long at an annual rates of 4 per cent or more without re-igniting inflation.

Some further monetary tightening is thus seen as inevitable. But experienced Fed-watchers, such as Mr Bill Griggs of the Wall Street firm Griggs and Santow, note that the Fed has been surprised by how little inflationary pressure has so far emerged.

Last year consumer price inflation was less than 3 per cent for the third year running – and the Fed believes the index overstates the underlying inflation rate by about a percentage point.

It appears that "we have gotten close to achieving effective price stability, though we're not there yet," Mr Greenspan said yesterday.

So long as the price numbers remain subdued, the consensus view is thus that the Fed will stick to its "gradualist" strategy of regular, but fairly small, increases in short-term rates.

AMERICAN NEWS DIGEST

California storm bill put at $360m

This month's storms in California caused an estimated $360m in insured property damage, said Property Claim Services Group, a division of American Insurance Services Group. The storms caused another $110m in insured damage in Oregon and across the affected Gulf coast and southeastern states, said Mr Gary Kerney, assistant vice president of Property Claim Services.

The storms caused severe flooding in northern and southern California earlier this month, inundating hundreds of homes and forcing thousands to evacuate. *Reuter, San Francisco*

13 deputies held in Salvador

More than 1,000 former members of El Salvador's armed forces have taken over four public buildings and are holding scores of hostages, including 13 deputies, in protest at the government's failure to honour promised redundancy payments. One protester was shot dead by police on Tuesday morning outside the ministry of finance, which has been occupied along with the national assembly, the supreme court, and the offices of the army's pension fund. The protesters have also blocked some main roads around San Salvador.

President Armando Calderon Sol went on national television on Tuesday night and said the protesters were being "manipulated by sectors who wanted to break the climate of peace" after the end of the civil war. Analysts say the protest was provoked by government feet-dragging on commitments made to ex-combatants as part of a peace accord signed with left-wing guerrillas in January 1992 to end a 12-year civil war. *Edward Orlebar, San Salvador.*

US home sales rise 1.8%

Sales of existing US homes rose 1.8 per cent in December to a seasonally adjusted annual rate of 3.89m units from a revised 3.82m in November, the National Association of Realtors said yesterday. Compared to a year earlier, sales were down 10.6 per cent from a record high 4.35m annual rate in December 1993. November's figure was revised from 3.81m.

For all of last year, existing home sales rose by 4.3 per cent to 3.967m units from 3.802m in 1993. The association said that 1994 was the strongest year since 1978, when 3.986m units had been sold. The December rate was well above the Wall Street forecast of 3.78m and appears to counter other recent signs that the housing market may be weakening.

But the association said the flurry of activity between November and December belied what lay ahead – an overall slowdown in home purchases due to higher mortgage rates. "Rather than gambla on more rate hikes, consumers who had been undecided made their move," said Mr Edmund Woods, association president. "But the long-term impact will be a drop in sales, as more [prospective buyers] are priced out of the market." *Reuter, Washington.*

US plutonium shipment fears

Representatives in Washington from the US possessions of Puerto Rico, the US Virgin Islands, American Samoa and Guam, and of the state of Hawaii, have told President Bill Clinton that they are unhappy that the US government has not responded to concerns about the safety of a planned plutonium shipment through their region.

"We cannot stand by silently and allow this potentially lethal shipment to pass through or near our waters, or to allow our ports to be available for emergency calls by a waste ship in distress," they said in a letter to Mr Clinton. The Japanese government has not yet decided the route of the shipment of plutonium from Europe to Japan next month, but says there is no reason for the safety concerns.

Several Caribbean countries have protested at the proposed shipment, the first of several planned for the next 15 years. The plutonium is extracted from nuclear waste sent by Japan to French and British reprocessing plants *Canute James, Kingston.*

Address reveals troubled state of the president

Clinton rose to the moment, but it was clear how much he had been weakened

Jurek Martin, US Editor, reviews the president's State of the Union speech

To further his political revolution, Mr Newt Gingrich, Speaker of the House, has allowed television cameras new angles to cover proceedings in Congress. One was particularly telling during President Bill Clinton's State of the Union address on Tuesday night.

It showed the speaker and vice-president Al Gore squarely behind the president, their reactions clearly visible on many of the approximately 90 occasions the chamber burst into applause during the 80-minute speech.

Frequently Mr Gingrich nodded sagely: when Mr Clinton promised to *cut taxes* and *government* he leaped to his feet clapping: when the president spoke of fighting any repeal of the ban on assault weapons or dismantling his national service corps, the Speaker sat on his hands while Democrats on the floor raised tha rafters with cheering.

It was the perfect television metaphor for the new political realities of Washington which see a Democratic president, for the first time in 48 years, in serious competition for power against an aggressive Republican legislature with fire in its belly.

It would be churlish not to concede that Mr Clinton rose to the moment. The speech might have been long and it had virtually nothing in it for a foreign audience (except Mexico). But he never flagged and his address had an overture full of grace notes and humour and a glorious rhythmic coda.

Even Mr Gingrich could scarce forbear to cheer as the president acknowledged, much as Ronald Reagan loved to, the presence of the ordinary citizens the White House had placed in the public gallery surrounding Mrs Hillary Clinton – young volunteers, a US soldier of Haitian extraction, a police chief, two black ministers and the youngest serviceman this century to win the Medal of Honor in war – at Iwojima in 1945.

The middle movements also had their fine passages. There is little chance that Congress will approve an increase in the federal minimum wage but Mr Clinton could not have made the case for "honest hearings" better by pointing out that congressmen earn in a month what a minimum wage worker makes in a year.

But one speech does not necessarily a presidency make and this president is in political trouble, as he intermittently acknowledged during the address. In attempting healthcare reform last year "we bit off more than we could chew", he noted – and suggested that this year more modest insurance reforms might be appropriate.

There might also have been a gentle warning to Mr Gingrich and his self-proclaimed "revolutionary" *cohorts* when *Mr Clinton said early* on: "I am frank to say I have made my mistakes," adding, pointedly, "and I have learned again the importance of humility in all human endeavour."

As R W Apple put it in the New York Times yesterday, the speech was "notably short on demands for action and long on appeals for comity – a demonstration of just how much he has been weakened in the last 12 months".

In a rather flat and orthodox Republican response, Governor Christine Todd Whitman of New Jersey, a rising star in the party, commented on how much Mr Clinton had taken her party's electoral message on board. Certainly, the "policy wonk" president, with a programme for every problem, was little in evidence.

The president spoke, either neutrally or approvingly, of lower taxes, smaller government, tighter immigration controls, the line-item budget veto and other subjects on the Republican agenda.

Referring to the last two elections and their mandates for "change", Mr Clinton said: "In both years we didn't hear America singing, we heard America shouting and now all of us, Republicans and Democrats alike, must say 'We hear you'."

But the Democrat in him is far from dead. Not only did he argue for a "modest" increase in the minimum wage, but he extolled a whole list of social programmes that still work – immunisation, school lunches, pre-school education, worker re-training.

Nor would he subscribe to the currently vocal libertarian view that government is necessarily bad. Borrowing from John Kennedy's famous inaugural address in 1961, Mr Clinton declared: "We should not ask government to do for us what we should only do for ourselves. But we should use government to do those things we can only do together."

Whether these mixed affirmations of faith make the president a new Democrat, an old Democrat or just the original eclectic Bill Clinton will be endlessly debated by the pundits. But he did return to some of the middle-class themes of his successful 1992 campaign, including the need for greater public involvement in the community, on which there is at least some grounds for accommodation with the Republican majority.

And, like the 1992 campaign and the mid-term elections last year, the battleground remains domestic. The opportunity for Mr Clinton to score as "foreign policy president" in the year ahead clearly presents itself, but his speech was perfunctory on external relations.

He merely said that aid to Mexico would preserve American jobs and that US goals should be to encourage nuclear non-proliferation and combat terrorism around the world. Not a word on Nato, the UN, Chechnya or Bosnia passed his lips. Rwanda and Haiti got a mention, but only in the context of praise for the roles played by the US military.

Still, the audience liked the speech. Mr Gingrich, in a mellow mood, had said in advance he expected the president to give a good speech, a message picked up by even his more ardent supporters (though some of them kept waving copies of the Republican "Contract with America" on the House floor).

Senator Robert Dole, the majority leader, yesterday accused Mr Clinton of "a cheap shot" for urging Congress to stop accepting gifts from lobbyists while considering lobbying reform, but otherwise graded the speech with "a B, maybe a bit more".

The public, perhaps sated after opening arguments in the O J Simpson murder trial, was enthused. Two overnight polls found more than 80 per cent approved the president's address, giving high marks for his dissection of America's problems.

But quality of analysis has rarely been a Clinton fault. It is how he plays out the long slog ahead – and how the Republican majority plays out its hand – that will determine the future of this president.

See Editorial Comment

Clinton with Gingrich, right, and Gore before the president's second State of the Union address AFP

A totally open telecommunications market has started a phone revolution, writes **Imogen Mark**

Chile gives out its number to all-comers

For a few days at the end of last year, Chileans all over the world were inundated by telephone calls from long-lost friends and relatives back home. The callers were taking advantage of an intense price war in Chile's newly opened telephone market. Chileans could phone anywhere in the world at peak time at a cost of less than 15 US cents for three minutes.

Reason returned with New Year – to the relief of foreign investors holding shares in some of the companies involved in the discounting – and rates went back up to more rational levels. A peak time three-minute call to the US, the main destination for international calls, now costs $1.65. That is still a steal compared with Mexican rates of $5 for a comparable call, Argentine, $6, or Japanese, $7.

Under the new market regime, any phone company wishing to compete needs only the approval of the ministry of transport and telecommunications for a business plan, and then the necessary investment funds to carry it out. The tariffs are set by the market.

So Bell South, the US telecom company based in Atlanta, plans to spend up to $40m in Chile, hoping to build a 20 per cent market share and gain experience that will help the company when the Netherlands, Israel, Argentina and Mexico open their markets to competition over the next few years.

Bell Atlantic, based in Philadelphia, and its Mexican partners have a similar plan. Chile is a testing ground, for Mexico's $3bn long-distance market, once Telmex's concession expires in 1996.

Chile's long-distance telephone business is modest in world terms. There are only 1.6m phone lines, 11.4 lines per 100 people, compared with 50 lines per 100 in the US. The Latin American average is nine.

A select 7,000 Chilean clients use the international services, three quarters of them businesses. National long-distance calls ran up $130m in 1993, international, $220m.

There is little customer loyalty

But there has been heavy investment since the two state telecom companies were privatised six years ago, and the network is now almost 100 per cent digital. That has made the multi-carrier system possible. Callers choose their carrier by simply dialling a three or a four digit company code, and then the number required. Businesses can sign a bulk discount contract with a carrier but the deal is not exclusively binding.

Apart from the two Baby Bells, there are another five operating companies in the long distance market, all of them Chilean. Two are leading players formed from the old state monopolies, Entel, tha long-distance carrier and CTC, the domestic carrier.

"Seven companies is an ideal number," says Mr Jorge Rosenblut, deputy minister responsible for telecommunications. "There's no chance of a cartel operating." The seven companies monitor the market themselves, he says, making the ministry's task relatively easy. CTC, which owns the network, is required to hand over regular records of all the communications traffic and the carriers who took it.

The multi-carrier system started up, cautiously, in a rural province in late September and spread over the country to include Santiago at the end of October.

One lesson the companies learned from the brief price war was that there was little consumer loyalty. "Callers just looked at the ads in the paper for the day's bargain offer," says Mr Jorge Fritis, head of planning at Entel. The only way to keep customers will be by competing on service, he says.

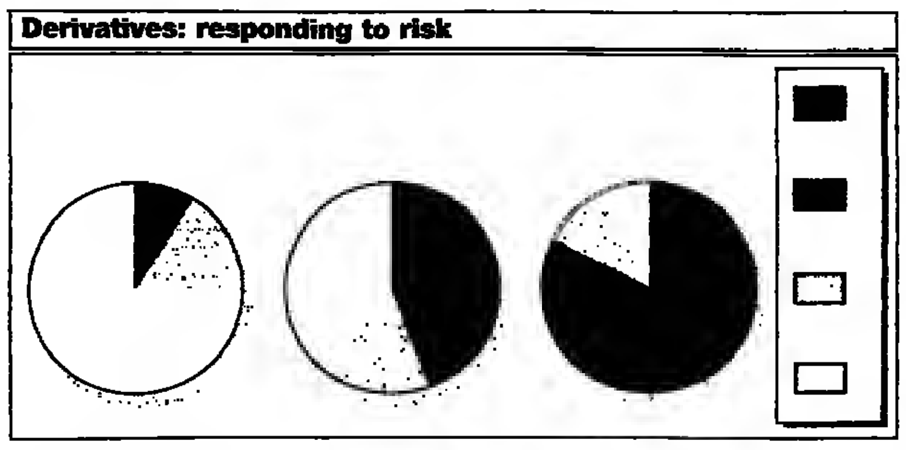
Mr Rosenblut agrees. The carriers cannot compete by selling a commodity, he says, they have to generate traffic and add value, like phonecards and free call services.

With the investments already made in fibre optics and other equipment, plus the advantages of low salaries, cheap office space and low phone rates, he sees enormous scope fur Chile to become a platform for all kinds of telephone business in the region. One small enterprise in Santiago, for example, is already inputting credit card transactions on line to a leading US retail chain. And a big US securities trader is looking at moving its Latin American research department to Chile.

ADVERTISEMENT

It has been a disquieting few days for the thousands of corporate treasurers who buy the complex financial instruments called derivatives.

Derivatives: responding to risk



Alarming instrument of financial change

Ian and Richard on corporate concerns over derivatives

These events are already having an impact on treasurers, who increasingly use financial derivatives at least in a simple form. There can be few boards of directors, nr chief executives, who have not sent urgent requests to their finance directors and treasurers to find out what arcane instruments they may have bought, and why.

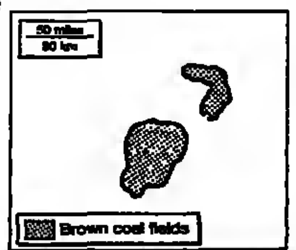
However, investors do not have to use derivatives to leverage investments, as some recent cases have shown.

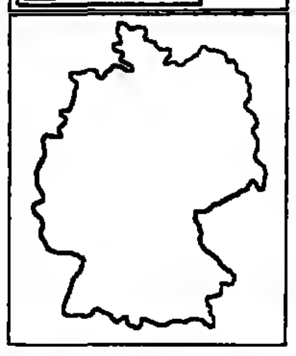
A study by the Group of Thirty, a Washington-based group of senior bankers, this week found that managers are now trying to monitor their treasury nperations more closely.

If more users carried nut complex tests on derivatives portfolios – such as "stress tests" showing price movements in conditions of market volatility – it would make it easier to avoid unwanted risks. Not all companies buying derivatives need do so.

Big coalfield

The environment ministry estimated approximately DM1.5bn would be spent each year from 1995 to finance the prnject, in additinn tn the DM6bn already spent.





Brown coal, one of the main cnlprits of east Germany's environmental problems under the communists, was the main source of energy for the region's factories.

Huaneng in China power deal

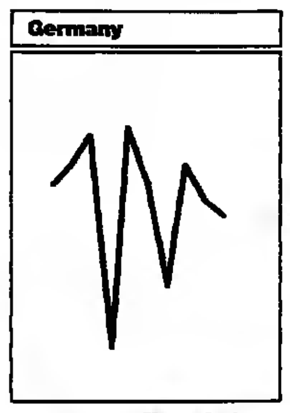
Huaneng Power International, together with Southern Electric International (SEI) of the US, is to build a $1.1bn power plant in China's Jiangsu province. Huaneng will own 51.7 per cent of the plant to be built in Nanjing city, SEI about 30 per cent, and local government the rest. Construction of the two 600MW units is to start in 1996 and finish by 1999.

"Capital investment will account for 25 per cent of the total and the rest will be debt," according to a manager in Huaneng'a securities department. But the company has still tn reach a profit agreement with local government before a contract can be signed.

"Wa hope they will accept Huaneng's current profit scheme approved by the ministry of power industry," the manager said. In June, the ministry cleared a price policy for Huaneng based on a 15 per cent return on net assets.

German consumption still weak

Germany



The fall against September this year (seasonally and calendar adjusted) was also 2 per cent.

Yesterday's announcement from the federal statistics office showed consumption has still to pick up after the recession.

The decline in the first 10 months was a real 1 per cent for the whole country. Department store turnover in west Germany, down a nominal 8 per cent, was especially weak. Mail order sales dropped 3 per cent and those of supermarkets fell 4 per cent.

■ Norway's trade surplus in November fell to NKr5.2bn (£485m) against NKr6.1bn in October. The trade surplus for November 1993 was NKr3.6bn.

■ Spain's budget deficit narrowed in the first 11 months of 1994 after revenues rose 4.4 per cent and spending climbed 2.7 per cent, said Mr Pedro Solbes, economy minister. He said Spain's current account deficit would be slightly above forecast for this year, at about 1 per cent of GDP, while the deficit for 1995 could be similar.

Paris talks tough on breaches of EU law

France's move may pose a dilemma for British Conservative Eurosceptics who recently argued that the UK should pay no extra into a Brussels budget that is so defrauded, but who might bridle at the EU reducing national prerogatives un legislative sanctions.

A former chairman of the European parliament's budget control committee, Mr Lamassoure said it was his experience of investigations into the same fraud covering several EU states that "some countries are very strict, while others show great gentleness, even complicity" towards fraudsters.

CSCE agrees to Karabakh peace operation

If it goes ahead, the operation will be the first such effort to be organised by the CSCE, a 53-nation body which has sought to carve a role for itself as a smaller versinn of the United Nations.


Prime minister (right), in discussion with ambassador.

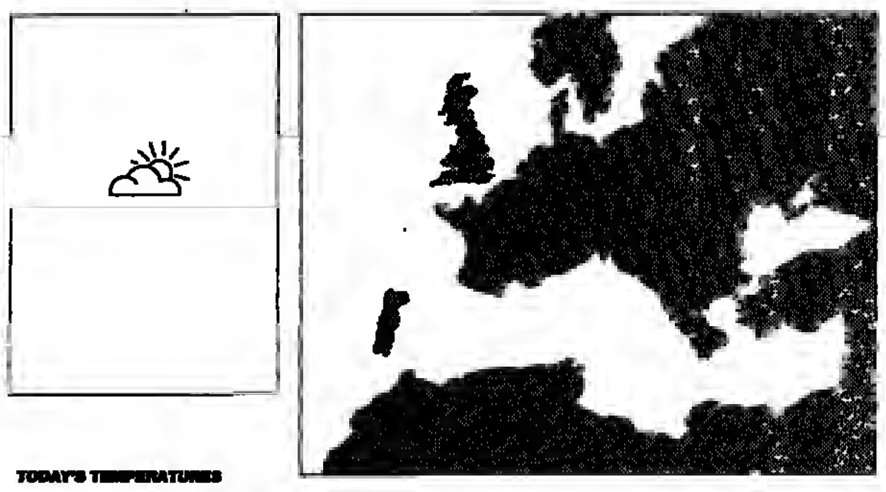
Several CSCE members – including the US, and the Baltic states – remain suspicious of Moscow's claim to be an impartial bolder of the ring in the multiple wars that have broken out on the periphery of the former Soviet Union. In Moldova and Georgia, Russian officials have made no secret of their sympathy for pro-Moscow secessionist movements.

Tens of thousands of people have been killed, and 20 per cent of Azerbaijan's territory has been wrested from government control, by a war which broke out in 1988 and has driven over a million people from their homes.

However, diplomats warned that many points of detail were still outstanding.

In a sign of Russia's continuing wish for freedom of action in the southern republics of the former Soviet Union, the summit failed to agree on a broader document setting out general principles for peacekeeping over which diplomats have been wrangling for many months.

WEATHER GUIDE



TODAY'S TEMPERATURES

Maximum C F

Abu Dhabi		Cape Town	fair	Jakarta	shower	Munich	fog
		Caracas	fair	Jersey	shower		
		Cardiff	shower			Naples	fair
Amsterdam	rain	Casablanca	sun				
				L. Angeles	fair		
B. Aires				Las Palmas	sun		
				Lima	fair		
		Delhi	fair			Oslo	windy
Barcelona	fair	Dubai	sun			Paris	rain
Beijing		Dublin	shower	Lyon	fair	Perth	fair
Belfast		Dubrovnik	cloudy	Madeira	fair	Prague	sun
Belgrade	cloudy						
Berlin		Frankfurt	fair	Malta	sun		
Bombay	sun	Gibraltar	fair	Manila	fair		
Brussels	rain	Hamburg	rain	Mexico City	fair		
				Miami	shower	Strasbourg	fair

Russia's in the cold

A formal protest from the Estonian foreign ministry about human rights violations in Chechnya met with a stinging response from their Russian counterparts.

Also seen as gaining influence were the shadowy figures whose main distinction is their close proximity to the president.

Mr Oleg Soskovets, a first deputy prime minister of conservative bent, has also criticised aspects of the privatisation programme, which had been hailed as the one great achievement of Russian reform.

The Izvestiya newspaper quoted one of the privatisation agency's employees as saying that they felt a bomb was ticking in the building.

An ominous sign of a general hardening in the Kremlin's line is the tough stance it has taken towards other ex-Soviet republics that have criticised Russian policy in Chechnya.

He accused Russia of using "incorrect and tactless terminology from the arsenal of the repressive Stalin regime".

A panel of political experts, regularly polled by NTV, the independent television channel, highlights a significant shift in the perceptions of who wields political power.

Russia's liberals respond that they accept the need for the state to assert itself; but they are nervously wondering what sort of state Russia is becoming.

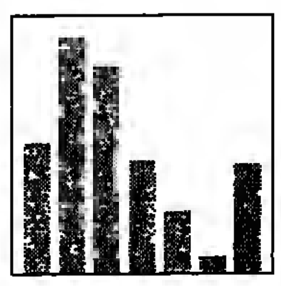
Taiwan carrier to expand fleet

Taiwan's China Airlines (CAL) plans to buy up to 10 small regional passenger jets for about $400m. Models under consideration include the Boeing 737 series, the McDonnell Douglas MD-90 series and the Airbus A320. CAL is considering spending $4bn on upgrading its fleet within the next 10 years.

Expansion of the company's fleet of larger regional jets and long-distance aircraft with 350 seats or more is also under consideration.

ECONOMIC WATCH

Dutch economy bounces back



N Ireland proposals may give Unionists veto

By David Owen

UK-Irish proposals for a political settlement in Northern Ireland look set to give the pro-British unionists an effective veto over the scope of executive powers to be entrusted to new all-Ireland bodies.

An advanced draft of the joint framework document setting out the two governments' proposals suggests that no north-south institution will be able to operate executive powers withont the agreement of both a proposed Northern Ireland assembly and the Irish parliament.

Unionists would be expected to make up a majority in a new assembly, giving them the ability in normal circumstances to block the extension of *such powers to an all-Ireland body*.

In a development that may further reassure unionists, who have voiced growing concern about the proposals in recent days, the UK government appears to have got its way over a mechanism for dealing with complaints about decisions made by the new assembly.

Dublin argued that this mechanism should take the form of a joint committee of the Anglo-Irish conference. But the draft is thought to propose that it is up to each to sort out problems in its own jurisdiction.

The two governments plan to put the document – now said to be 98 per cent complete – to Ulster's main constitutional parties for further negotiation. Mr John Major has been at pains to emphasise that the proposals would not be imposed.

The draft, which will be discussed by senior British and Irish ministers in *London today, sets out three* levels of power – executive, consultative and harmonising – which could be entrusted to a future all-Ireland body or bodies.

But it gives no indication of bow broad the scope of each of *these* powers might be. It is understood that the two governments may draw up separate proposals of the areas in which they think each power should apply at a later date.

Individuals familiar with the two governments' discussions say one analogy for the way executive powers might operate is the European Union's Council of Ministers, whose decisions do not generally have to be ratified by EU member-states but whose members are responsible to national assemblies.

The harmonising powers envisaged might enable a north-south body to consult on whether laws north and *south* of the border should be brought into line in certain areas. Final decisions, however, would rest with individual jurisdictions.

Today's discussions in London between Sir Patrick Mayhew, the Northern Ireland secretary, and Mr Dick Spring, the Irish foreign minister, are likely to focus on the key constitutional trade-off at the heart of the document.

Under this, Dublin would dilute the Irish *government's constitutional* claim to Northern Ireland, while London would change the 1920 Government of Ireland Act to enshrine the principle of consent.

It is still not clear whether the Irish government bas agreed to seek to change article two of its constitution which claims the whole island of Ireland as its national territory.

UK NEWS DIGEST

Tory ex-minister to join board of merchant bank

Lord Wakeham, the former Leader of the House of Lords, and a past Conservative energy secretary, is to join the board of merchant bank N M Rothschild.

His appointment – at an annual salary of around £25,000 ($39,750) – has prompted fresh allegations from the Labour party that ex-ministers are exploiting their powers of patronage to secure lucrative private sector jobs.

As energy secretary in 1990, Lord Wakeham was responsible for the privatisation of the regional electricity companies. Rothschild was adviser to those companies. His appointment comes as rules governing MPs' and ministers' commercial activities are under scrutiny by a committee chaired by Lord Nolan.

Mr Norman Lamont, the former chancellor of the exchequer, is also a non-executive director of Rothschild.

Lord Wakeham, who left the government at the end of last July, is also chairman of Britain's Press Complaints Commission. His main role will be to advise the bank's executives on how to make presentations to officials and ministers of non-UK governments.
Robert Peston, James Blitz and Kevin Brown, Westminster

Single bidder for share system

Tensions between the London Stock Exchange and the Bank of England over the construction of the new Crest system for paperless share settlement in London have left the Bank of England with a single bidder to supply a key element of the system.

The Bank, overseeing the development of Crest, must now decide whether to accept the bid from Hoskyns, the UK-based firm owned by Cap Genini Sogetti of France and supplier of all the Bank's other computer systems, to become the system's network facilities provider or re-open the bidding process and risk delaying completion of the project.

Tensions have run high almost since the Bank was given responsibility for developing a new share settlement system. The Stock Exchange's own project, Taurus, collapsed in March 1993 after years of planning and a cost of roughly £70m ($111.30m) to the City.

Electronic Data Systems, a subsidiary of General Motors, and Data Sciences, a spin-off from Thorn *EMI* following a management buyout, were shortlisted along with Hoskyns but both dropped out of the bidding earlier this week. Andersen Consulting, the information technology arm of the accounting consultancy Arthur Andersen – which already manages the Stock Exchange computers on a facilities management basis – also dropped out of the bidding. *Alan Cane and Norma Cohen.*

Coaches banned from fast lane

Coaches are to be banned from the outside lanes of British motorways with three or more lanes from January 1996 as a safety measure, the government announced yesterday.

The ban will be introduced for a trial period of two years to assess its impact on accident statistics, Mr Brian Mawhinney, transport secretary, said.

The decision to restrict Britain's 20,000 coaches to the slower lanes of motorways follows the introduction of a 65mph speed limit for coaches under European legislation.

But the ban was condemned by the Confederation of Passenger Transport, which represents coach operators. It said coaches would "bunch" in the slower lanes, posing an even greater threat to safety.
Charles Batchelor, Transport Correspondent

Sharp rise in brick sales

Brick sales in the UK last year were the highest for five years as demand particularly from housebuilders has risen sharply, according to figures published yesterday by the Environment Department.

Sales of new homes have performed better than sales of existing houses and have been winning market share in a generally sluggish housing market.

According to the department brick deliveries to customers rose by 11.4 per cent last year to 3.49bn the highest number since 1989 when brick sales were 3.977bn

Annual manufacturing capacity in the industry has fallen from about 5bn bricks in 1988 to about 3.7bn currently according to the Brick Development Association. More than 5,000 jobs have disappeared from the industry over the period.
Andrew Taylor, Construction Correspondent

Carrier design 'a disgrace'

Standards for the design and inspection of coal and ore bulk carriers are woefully inadequate and a disgrace to the shipping industry, a leading expert said yesterday.

Structural failures of bulk carriers are continuing at an unacceptable rate and claim about 150 lives each year, Mr John Jubh, an independent consultant told the Institution of Mechanical Engineers last night.

Cracks in the steel used in the construction of bulk carriers can open up at a speed of several hundred metres a second leading to the loss of a vessel and its crew without trace before a Mayday message can be sent.

Ths shipping industry, in contrast, "has lacked the basic knowledge of the performance of the internal [design] details with the consequences of commonplace fatigue and corrosion. Bulk carriers still disappear.. and there appears to be no fundamental response or strategy in the shipping industry," Mr Jubb said. *Charles Batchelor*

Eurostar train breaks down

Sloppy maintenance rather than a design fault led to overheating of the rear locomotive of a Eurostar high speed Channel tunnel train near Brussels, the operator, European Passenger Services, said yesterday.

More than 100 passengers had to change trains at Halle in Belgium, 60 miles from the tunnel entrance on Tuesday evening, after the fault triggered the train's automatic fire extinguishers. Passengers arriving at London Waterloo five hours late were offered full refunds. This was the second disruption to Eurostar since commercial services started on November 14. A London-Paris train broke down in northern France in late November.

Latest survey of social trends shows that Britons are living longer and learning longer

Ageing society to stretch state's resources

By Andrew Adonis, Public Policy Editor

Youth and retirement are rapidly being transformed from brief phases of life to experiences as long-lasting as conventional work.

The elongation of education and post-work retirement are the most striking developments highlighted in this year'e survey of social trends published today by the British government's statistical service.

The survey shows formal education becoming a 20-year affair, women giving hirth later, men retiring earlier, and men and women living longer.

The fall in the birth rate in the 1970s mitigated the short-term consequences: the ratio of children and pensioners to those of working-age – the so-called "dependency ratio" – fell between 1971 and 1992, but it is set to rise dramatically over the next 30 years.

Of these trends, probably the one with the most serious social implications is the rise of the over-80s. The proportion of this age group in the population has risen by nearly 70 per cent since 1971, from 2.3 per cent to 3.9 per cent. It is projected to more than double between now and the middle of the next century, when the 1960s "baby boom" generation reach their 80s.

Although typically considered in the same breath as other pensioners, the over-80s ought to be considered as a separate class. They make significantly greater demands on health and social services than the recently retired. And the survey shows them to be considerably poorer: the average income of those within five years of retirement is 50 per cent greater than that of other pensioners, with the over-80s the poorest of all.

For those born in 1931 – today's recently retired – average life expectancy was 61.6 years for women and 57.7 years for men. Women born in 1961 can expect to live an average of 12 years longer than that, and men a decade longer. By the year 2000 a new-born girl could have a life expectancy of more than 80.

At the opposite end of the life cycle, education from "three to 23" is on the way to becoming the typical tale of youth. More than half of underfives attended school in 1992-93, compared with barely a fifth in 1970-71. Over the same period, the number of male higher education students nearly doubled, and the number of female students more than trebled.

Almost one in three 18-year-olds now goes on to higher education, roughly treble the proportion of 20 years ago.

The breakdown of the traditional family continues. Last year more than a quarter of all households – and a third of white households – were people living alone.

The number of bouseholds has risen dramatically over the past 30 years, with average household size falling from 3.1 people in 1961 to 2.4 in 1994.

Another aspect of the breakdown is the rapid rise in lone parenting. Single parents headed only 8 per cent of families in 1971. By 1992 they accounted for 22 per cent.

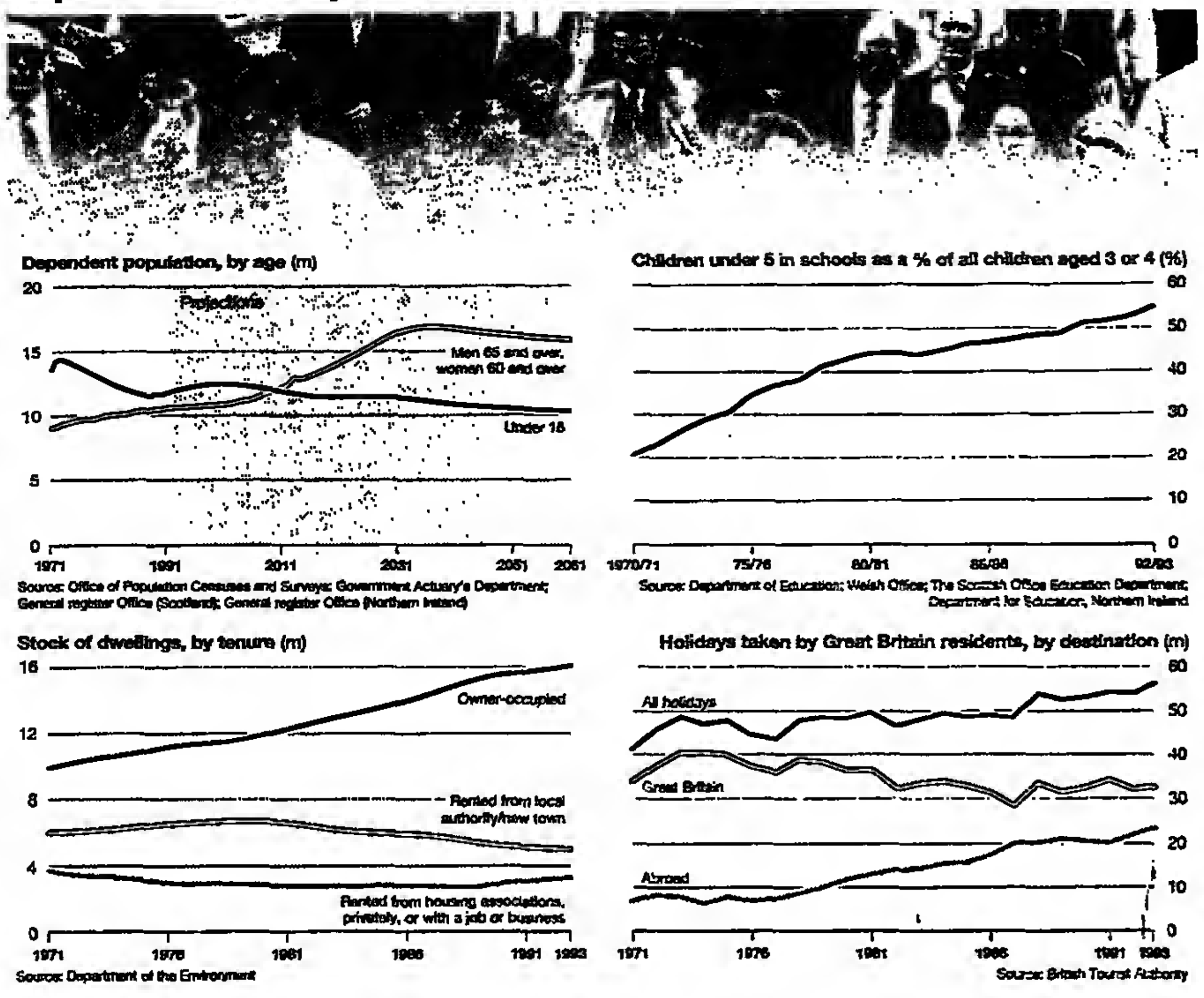
Lone parenting is almost exclusively a female phenomenon.

While the number of male single parents has remained static at about 2 per cent of all families since the early 1970s, the number of lone mothers has nearly trebled, with a particularly steep rise since 1987.

Elongated education, later marriage and the rise of single-person households is leading to later childbirth. Of women born in the late 1940s, less than a fifth were childless by the age of 30; of those horn in 1962, more than a third were childless by 30.

The rise of the home-owning, consumer society continues inexorably. In 1993 almost nine in 10 households had a telephone, washing machine and freezer. More than half had a video and/or a microwave and 40 per cent boasted a compact disc player. Twenty years ago, less than half had a phone and barely two-thirds a washing machine.

A picture of Britain: pointers to the future



The end of the recession has brought a further surge in the holiday industry. The number of overseas bolidays taken by Britons is at a record high, accounting for more than 40 per cent of all breaks, Andrew Adonis writes.

After a steady decline in the number of bolidays taken by Britons within Great Britain during the early 1980s, the number remained stable, at about 32m a year, for the six years to 1993.

In 1993, British residents took 23.5m holidays abroad – more than three times as many as in 1971.

About 16 per cent of people took two holidays, compared with one in eight in 1971. For leisure at home, nearly three quarters of bouseholds now own a video recorder.

Bnt 1993 saw a slight decline in television viewing (including recorded videos), in spite of the increasing ownership of videos, satellite dishes and cable systems. The average person watched 25 hours 41 minutes of television per week – or nearly three and three-quarter bours a day.

But contrary to conventional wisdom, it appears the young are least likely to be glned to the screen.

In 1993 the 4-15 age group watched an average of 19 hours 12 minntes a week, barely half the tally for the over-65s (35 hours, 47 minutes) and significantly less than their parents in the 35-64 age range (26 hours, 24 minutes).

Education provision below target

By John Authers

Radical shifts in all sectors of ednecation over the past twn decades are confirmed by the Social Trends report.

An increasing proportion of under-fives attend school, with the total oumber in the state sector rising from 384,000 in 1970-71 to 848,000 in 1992-93. An additional 985,000 underfives had day-care places, up from 409,000 in 1971.

But provision remains well below the government's target of 100 per cent of all 4-year-olds. In 1991, 72 per cent of 4-year-olds were in education, compared to 57 per cent in the US, and 100 per cent in France.

Higher edncation – including universities and former polytechnics – has also seen a sharp increase in numbers, from 621,000 in 1970-71 to 1.44m in 1992-93. This is mainly dne to the rise in the number of women entering higher education, which more than tripled over the period.

Girls also overtook boys in academie performance over the two decades, with roughly a third of females leaving schools with one or more A-level or Scottish Higher qualification in 1991-92. Only abont a qnarter of males achieved the same level.

Bowever, at university, men still ont-numbered women by two to one in science degree courses.

Independent schools managed a slight increase in market share, rising from 6.07 to 6.38 per cent over the 22 years to 1992-93. However, independent boarding schools have seen a sharp decline. While there were 131,000 boarders in private schools in 1975-76, a number that was sustained in 1980-81, there were only 94,000 in 1992-93, a fall of 28 per cent.

At 1992-93 prices, total spending nn education has risen from £20.66bn in 1970-71 to £31.5bn in 1992-93. However, there has been no increase in the proportion of gross domestic prodnct devoted to ednication, which has stayed at 5.2 per cent.

This leaves the UK ahead of Japan, which spends just 3.7 per cent of GDP on education, and Germany (4 per cent). However it marginally lags the US (5.3 per cent), and is well behind Sweden (6.5 per cent).

Arms-for-Iraq report to attack civil servants

By Jimmy Burns

Civil servants in three key Whitehall departments shared part of the responsibility for systemic failings in the conduct of government during the 1980s, according to draft extracts of Sir Richard Scott's arms-for-Iraq report.

Department of Trade and Industry , Foreign Office, and Ministry of Defence officials are criticised for failing to adequately disseminate important intelligence on Iraql military intentions.

In a draft circulated at least three months before likely final publication, officials are criticised for a lack of coordi*nation and sufficient scrutiny* in the handling of export licences for defence-related equipment in apparent breach of government guidelines.

The criticism is contained in the second part of the report covering initially a three year period – from the formulation of the guidelines limiting the export of defence equipment to Iraq in 1984 to the middle of 1988, when officials approved a series of machine tool and other defence-related exports to Baghdad.

In the report, which names the civil servants responsible, the judge accepts that some officials may have had some justification to act as they did to protect intelligence sources.

But the critical tone underlining his narrative so far has led some officials to the conclusion that the final report will be hard-hitting, and of considerable embarrassment to the government.

The report is also expected to criticise ministers including Mr William Waldegrave, the former foreign office minister, now at agriculture and fisheries, who authorised defence-related exports, and Sir Nicholas Lyell, the attorney-general, who played a controversial role in the trial of three executives *of Matrix Churchill*, a *company* accused of supplying defence-related equipment to Iraq.

Mr Christopher Muttukumaru, the inquiry's secretary said last night it would "not be fair" to comment at this stage.

Whitehall officials claim that tha Easter target date is unrealistic and predict that the final report will come out in July at the earliest.

They believe the government's best interests are served by having it published sooner rather than later so as to allow the storm to settle well before the next election.

ICL to name consortium partners

By Alan Cane

ICL, the UK-based computing company owned by Fujitsu of Japan, is expected soon to *name the members of* the consortium it is leading to bid for a multimillion pound contract to automate Britain's Post Office counters.

It will include Girobank, the banking subsidiary of the Alliance & Leicester building society, and De La Rue, the security printer. ICL said yesterday that the consortium was not complete and that other members would be announced soon.

ICL and De La Rue are already linked through membership of Camelot, the consortium which runs the national lottery. Girobank already manages Benefits Agency payments for the Department of Social Security.

Electronics Times magazine, which publishes details of the contract today, says a winner will be announced by the end of the year. The contract, which calls for systems for the automation of up to 20,000 post offices and the benefits payments systems, is expected to be worth at least £100m.

The social security department last month published a shortlist of five companies to compete for the contract. The other four are: British Telecommunications; Cardlink UK, a subsidiary of Barclays Bank; Electronic Data Systems, the computing services subsidiary of General Motors; and International Business Machines.

EDS has said it is associated with Compaq, the personal computer manufacturer, and AT&T, the US telecommunications operator. Cardlink's consortium comprises Barclays Bank, the consultancy Arthur Andersen and Unisys, the US computer manufacturer. BT and IBM are refusing to name the members of their consortia at present.

The most controversial task for the winning consortium will be to implement a pay*ment system based* on either magnetic striped cards or smart cards to replace giro cheques and order books and resistant to fraud costing more than £150m ($238.50m) a year.

CAP reform urged as part of development strategy

By Haig Simonian, Environment Correspondent

Britain should pnblish proposals for reforming the Common Agricultural Policy, independent of other EU member states, according to the first report of the Panel on Sustainable Development, set up by Mr John Major, the prime minister, last year.

The panel, chaired by Sir Crispin Tickell, a former diplomat, says that in pursuing CAP reform the UK's aims should include minimising waste in farm spending and protecting the environment.

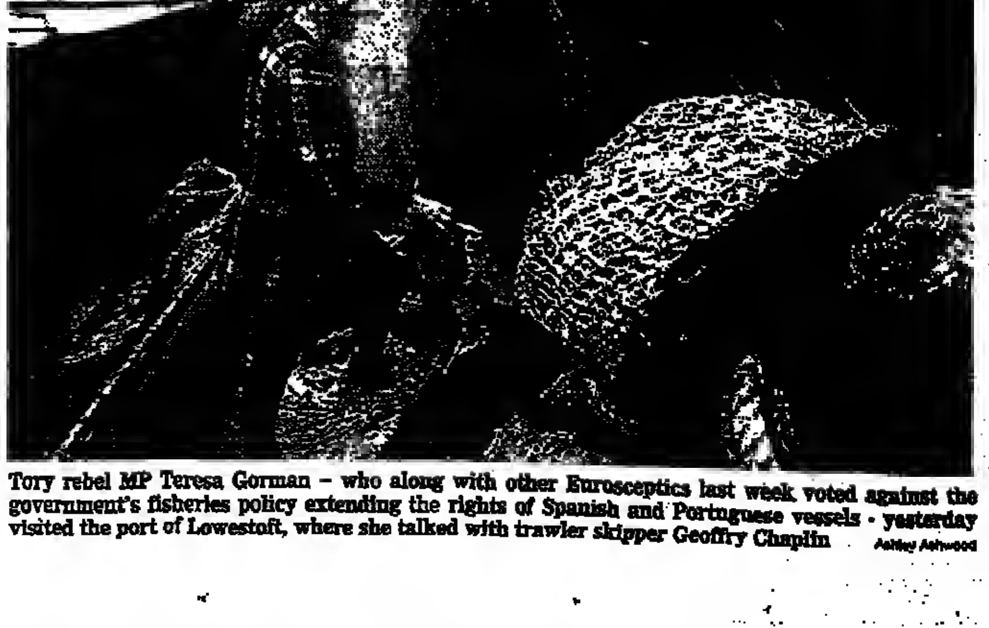
The panel is also critical of the Common Fisheries Policy which it says has failed to protect *fast-depleting fish stocks*. It says member states have tended to pursue short-term strategies based on nationalistic considerations.

Rather than waiting for a common EU response, the report calls on ministers to take a lead in promoting long-term policies for conserving fish stocks and protecting the marina environment. Among its main suggestions are creating an intergovernmental panel on the oceans, under United Nations auspices, to belp formulate a global fish management policy.

"One target would be to formulate and implement by the year 2000 a convention to secure the sustainability of the marine environment," it says.

The panel, established as part of the UK response to the 1992 Rio Earth Summit, also tackles issues such as environmental pricing and economic instruments, education and ozone depletion.

Sir Crispin said the need to take greater account of pricing to measure the environmental impact of products or manufacturing processes was likely to continue as a major focus for the panel in preparing its next *report* due next year.



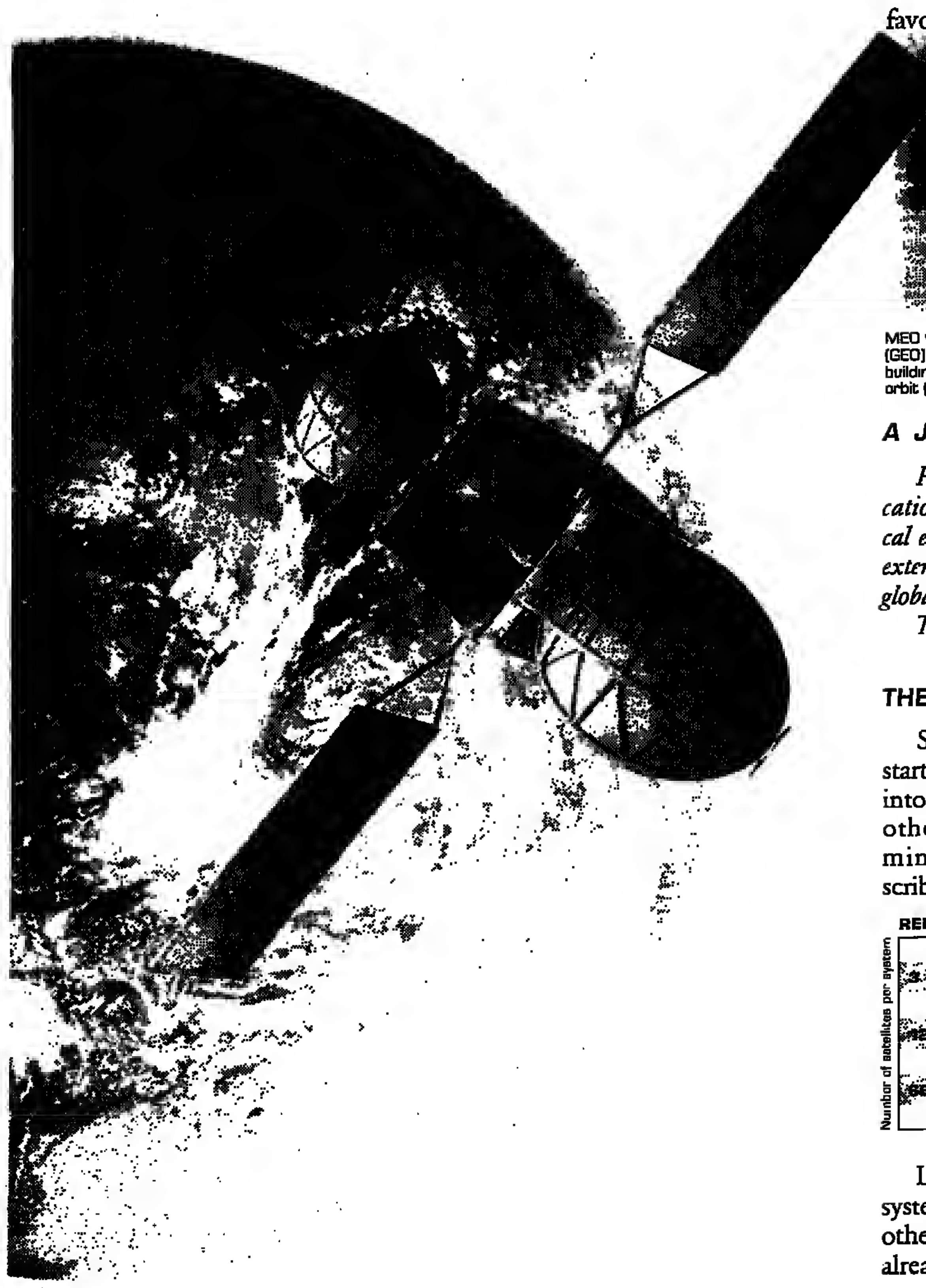
Tory rebel MP Teresa Gorman – who along with other Eurosceptics last week voted against the government's fisheries policy extending the rights of Spanish and Portuguese vessels - yesterday visited the port of Lowestoft, where she talked with trawler skipper Geoffry Chaplin Ashley Ashwood

هكذا من الأصل

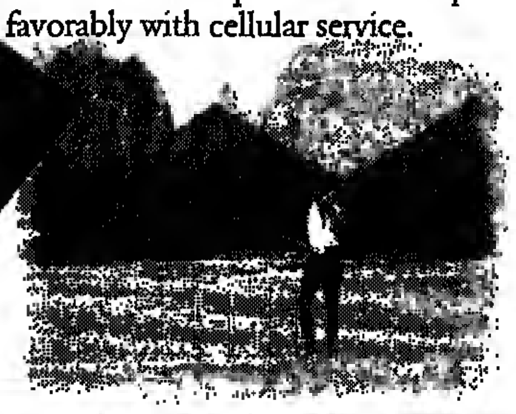
Astronomical cost has kept the future of personal communications up in the air.

We've just brought it down to Earth.

Today's market is clamoring for truly portable, global personal communications. But the costs of such a system – costs that will ultimately come out of the consumer's pocket – have remained dauntingly high. Until today. Because today we launch the Odyssey™ system, a constellation of medium-earth orbit (MEO) satellites. In a world in which most people lack access to even basic telephone service, this satellite-based mobile communication system will provide convenient, effective, consistent communications to subscribers around the globe. And it will do so at a price that compares favorably with cellular service.



Directed antenna coverage concentrates service on land masses worldwide. Dual-satellite coverage provides even greater assurance of reliable communications.



MEO virtually eliminates the voice delay of geostationary (GEO) satellites and minimizes the shadowing effect of buildings and other obstacles that interrupts low-earth orbit (LEO) and cellular systems.

FROM URBAN CENTERS TO THE MOST REMOTE CORNERS OF THE GLOBE

The Odyssey handset, essentially a palm-sized earth station, will operate in both cellular and satellite modes. Where terrestrial service exists, the Odyssey system will augment it, regardless of regional or carrier compatibility. Where it is absent or interrupted, your handset will link you directly – and transparently – to an Odyssey satellite.

A JOINT VENTURE OF TRW AND TELEGLOBE

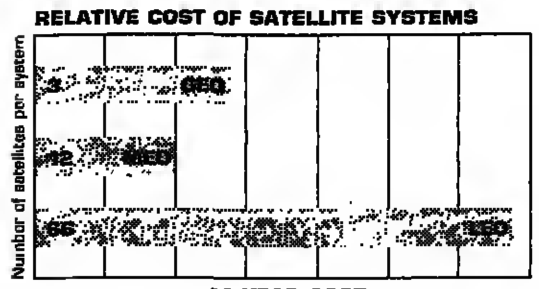
For more than three decades, TRW Inc. has stood at the forefront of space communications, enjoying a worldwide reputation built on innovation, reliability and technical excellence. Teleglobe Inc., through its subsidiaries, operates one of the world's most extensive digital telecommunication networks and is a quickly emerging leader in the global mobile arena.

Together, TRW and Teleglobe create the driving force behind Odyssey.

THE BEST VALUE FOR THE USER

Simpler technology and faster start-up are scheduled to bring Odyssey into global service in 1999, before any other system. Superior service and minimal user cost will attract subscribers worldwide.

RELATIVE COST OF SATELLITE SYSTEMS



Licensing authority for the Odyssey system is expected in early 1995. Unlike other systems, it will use frequencies already allocated for this type of service and components derived from proven TRW technology. Initial start-up costs will be 60 percent lower than for the two other major systems in a recent study.* And Odyssey's constellation price will be fixed. Estimating over a 10-year period, replacement satellites for the other systems evaluated will give Odyssey an even more dramatic cost advantage. Just as importantly, subscriber projections indicate that Odyssey will offer the best value for the end-user.

Today, TRW and Teleglobe forge a new alliance to launch Odyssey. For more information, please contact:

North America & South America (New York) Tel.: 212 903 4267
Europe (London) Tel.: 081 247 0123
Asia (Hong Kong) Tel.: 852 845 1008

ODYSSEY

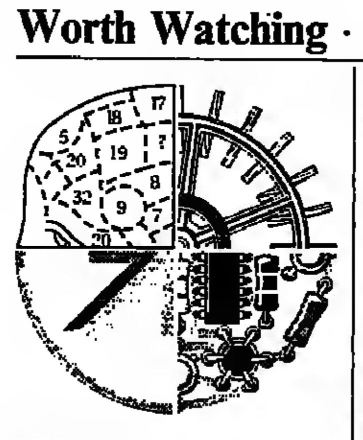
the adventure is just beginning

* "A Reevaluation of Selected Mobile Satellite Communications Systems: Ellipso, Globalstar, Iridium and Odyssey," 1994. The Mitre Corporation

™ TRW and Odyssey are trademarks of TRW Inc. Teleglobe Inc., licensed user.

TECHNOLOGY

Worth Watching · Vanessa Houlder



New look at 3D viewing systems

Attempts to produce a 3D viewing system capable of displaying moving images have often proved disappointing, not least because the viewer usually has to wear special glasses or sit in a specific position.

Sharp Laboratories of Europe, Oxford-based research arm of the Japanese electronics group, has developed a prototype display system that produces high-quality 3D pictures and can be used with standard video and multimedia computer systems.

It relies on images from two perpendicular liquid crystal display panels, using an optical arrangement that allows the viewer to see one panel with the left eye and the other with the right eye. The viewer's brain fuses the two slightly different images into a single 3D image.

Sharp Laboratories: UK, tel (0)865 747711: fax (0)865 714217

Sweet clue to enzyme mechanism

The ability to control and alter the catalytic properties of enzymes holds out the prospect of improving the efficiency of many industrial processes. NEC Corporation, the computer group, and Ezaki Glico, a Japanese confectionary company, believe they have developed such a technique.

They conducted an experiment that successfully altered the structure of neopullulanase, a sugar-producing enzyme found in starch, so it was able to produce 30 per cent more sugar than the normal enzyme.

The experimenters used a supercomputer to analyse the enzyme's amino-acid sequence, its 3D structure and its reaction mechanism. With detailed knowledge about the part of the enzyme responsible for the catalytic action, they could then identify and modify the amino acids that played a dominant role in the reaction.

NEC Europe: UK, tel (0)71 353 4383; fax (0)71 353 4384

Infra-red gauge of baby's oxygen

During childbirth doctors may want to monitor a baby's oxygen supply. It is important to obtain accurate information to avoid unnecessary caesarian operations or even brain damage to the baby.

Researchers at University College London Medical School, financed by charity Action Research, have developed a new method of measuring the oxygen supply to the brain.

A pair of optical fibres are passed through the birth canal and attached to the baby's head. Doctors shine infra-red light into the brain and measure the intensity of the returning beam. The amount of light absorbed depends on the amount of oxygen in the blood's haemoglobin.

Action Research: UK, tel (0)1403 210406: fax (0)1403 210541

No peeking at the screen

Business travellers are reluctant to work on laptops on aeroplanes because another passenger might catch a glimpse of confidential material. Incoms Systems has introduced a screen filter which allows only the operator to see what is on the screen.

The Secure-View works by etching a large number of concentric circles on to the screen, which blur the contents of the screen when viewed from an angle. The manufacturer claims this does not impair definition or brightness as much as existing technology, which uses strands of wire behind the glass to block out the side view of the screen.

Incoms Systems: UK, tel (0)81 838 0077; fax (0)81 961 4939

Drawn to CD-Roms for exhibitions

London's Royal College of Art believes it is publishing the first CD-Rom catalogue to accompany a contemporary art exhibition. The CD-Rom's interactivity, durability and compactness offers advantages over conventional catalogues, it says.

Royal College of Art: UK, tel (0)71 584 5020: fax (0)71 584 8217

Kobe's devastation has shaken Japanese counter-earthquake assumptions, writes **Gerard Baker**

Japan's confidence rocked

When the massive earthquake hit the Japanese city of Kobe last week, the country's high reputation for counter-earthquake construction techniques took a significant shock. The huge loss of life and destruction of property suggests that Japan's efforts were inadequate. For the last week construction engineers and seismologists from all over the world have been trawling through the wreckage of houses, offices, roads and bridges, seeking clues about what went wrong and how to prevent such destruction in future.

The emerging consensus among Japanese scientists is that the earthquake was far stronger than anything the country had felt in modern times. Keiichi Otani, at the National Research Institute for Earth Science and Disaster Prevention, says Japanese modern construction criteria were based on the Great Kanto Earthquake of 1923, when more than 130,000 people in the Tokyo region died.

Most buildings are designed primarily to withstand vertical force, but earthquakes generate horizontal force. In earthquake zones structures are designed to withstand a stronger horizontal force. In an earthquake this force is measured as ground acceleration. In the Great Kanto earthquake, horizontal ground acceleration was 300cms-400cms per second per second (the speed of acceleration per second), and according to Otani, Japanese structures were designed to withstand that degree of acceleration. Initial measurements suggest that in Kobe acceleration was as high as 800cms per second per second.

Many of the foreign engineers visiting Kobe in the last week believe the greater scale of acceleration does not explain the extent of the damage. Many structures survived intact while others were demolished, indicating that building design criteria are crucial to withstanding effects of earthquakes.

There was a clear correlation between the age of buildings and the degree of damage. Buildings constructed after 1981, when building standards were amended, survived better. Peter Yanev, chairman of EQE International, earthquake engineering consultants in California, who visited Kobe this week, argues that more could have been done to improved the safety standard of older buildings: "A huge number of structures failed when they need not have – buildings, bridges, roads, all of them could have been upgraded to withstand a really powerful shock."

Predictably, the traditional Japanese wooden houses with heavy roofs collapsed, but even newer houses were also destroyed. EQE says much of the damage to these could have been avoided relatively simply. Many houses have heavy walls of timber strips that collapse under horizontal force, exacerbated by heavy roofs. Lighter frames with plywood cross-bars to distribute the force of the earthquake more evenly would protect even wooden houses in severe earthquakes.

The key to why buildings built after 1981 survived is the greater use of reinforced concrete. After 1981, larger apartment buildings and office blocks were built with stronger concrete walls and pillars. According to Kent David of EQE, many buildings of 1960s and 1970s vintage collapsed because they lacked this reinforcement. He believes that reinforcing them and other ageing structures with extra concrete would be relatively simple and effective. "This work has been going on in California for years since the 1989 earthquake."

Some very modern buildings survived virtually intact. The preliminary report of the Construction Ministry says there was little damage to any of the city's skyscrapers. Two reasons for this are suggested: that steel structures are more flexible, and that taller buildings are more stable because they are secured on stronger foundations. In some cases in Kobe, "high rise building foundations went through the soft soil into the hard base below", says Professor Masanori Hamada of Waseda University's engineering department.

The biggest headache for policy makers concerns the infrastructure. Pictures of the Hanshin expressway, tipped on its side for 600m, have become a symbol of Japan's inadequate earthquake resistance measures. This type of roadway, of which there are thousands in Japan, elevated above the urban traffic, is built on reinforced concrete pillars. The steel inside the pillars improves ductility, enabling them to flex with the earthquake. But that ductility creates its own problems. The compression on the pillar alternates from side to side with the shaking of the earth beneath. As the steel elongates and bends, the concrete is confined and crumbles. With greater force, the concrete will split and give way.

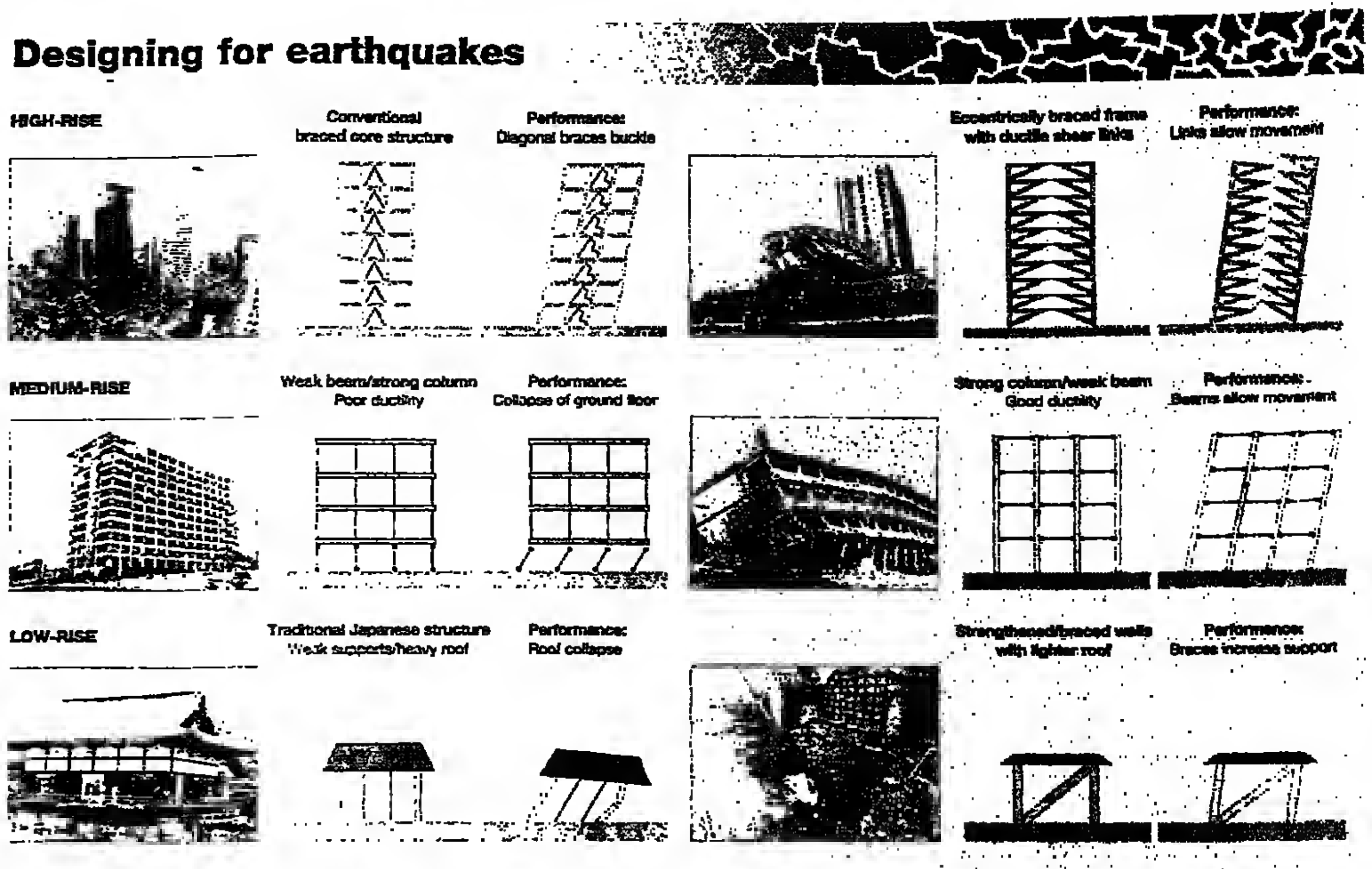
There are two ways of responding: fitting metal jackets to limit the extra force by containing it; and inserting steel spirals or fitting steel rings, where some of the force is taken into the circular steel. In San Francisco, both techniques were used on damaged highway sections after the 1989 quake. In Kobe, some columns that had been fitted with metal jackets during recent highway expansion were the ones that survived.

"If steel jackets had been used the damage would surely have been much less," argues David.

More difficult questions concern the damage done to the port area and to some new road bridges. The port, which was virtually destroyed, and several bridges which became detached at expansion joints, were built on soft alluvial soil, some of it reclaimed from the sea.

Yanev believes that the degree of liquefaction occurring when soft soil is shaken by an earthquake may be so great that the issue of building on soft landfill may need to be reviewed. Even if acceptable construction techniques on landfill are possible, the cost would be prohibitive.

It is an unpalatable message for Japanese builders and policymakers. Constrained by scarcity of land, many of Japan's main cities reach out into the sea. Protestations that this land is stable enough to cope with a massive shock look hollower than ever.



ARTS

Cinema/Nigel Andrews

Originality untamed

American cinema bas a long tradition of keeping writers and directors in separate slave colonies. In compound one, starving men and women sit chained to a communal table that sags under the weight of a hundred typewriters. In compound two dwell the visionaries and viawfinder-wielders: jodhpur-clad they walk tha ground, picking out "compositions" and making strange framing motions with their hands.

Sometimes, though, a member of one colony breaks through the fence and breeds with an opposite-sex member of the other. Result after nine months: Hollywood's worst nightmare, the writer-director. He/she is an egomaniac and power-seeker. He/she – like a president without a congress, or in today's America vice versa – has no checks-and-balance mechanism to prevent the outbreak of wild, untamed originality.

Look at Whit Stillman's *Barcelona* and Sam Shepard's *Silent Tongue*. Both are deranged by Hollywood mainstream standards; neither was funded by a major studio. One happens to be good (*Barcelona*), the other bad (*Tongue*). But both reveal the kind of creative quirks that go AWOL in the average Tinseltown movie, more interested in providing comfort than challenge.

Barcelona has a lot of talk, no plot (or several) and a bundred tons of non-sequitur. Stillman made *Metropolitan*, that blissful comedy about spoilt Ivy Leaguers looking for love that could have been co-written by Woody Allen and Ronald Firbank.

So could *Barcelona*; with a little extra belp from Joseph "Catch-22" Heller. Our heroes are American cousins abroad. Ted (Tayler Nichols) is a solemn misanthrope recovering from a broken romance. Fred is a dry quipster-playboy in Navy uniform. Calling himself "an advance man for the Sixth Fleet", ha sees it as his mission to stamp out anti-Americanism in mid-1980s post-Franco Spain.

There is a lot of it about. A USO office is bombed. A radical journalist tries to steal Ted's girlfriand. And when Fred offers a helpful geo-political parable about ants during a party – everyone is sitting on a patch of grass watching the creatures – the Spaniards cry aggressively "You call us ants?!"

Intercultural tension is one kind among many. The whole film is about crossed wires. The two cousins are fast friends who affectionately hate each other. (Cue pastoral flashbacks to the New England lake where child Fred once stole child Ted's kayak.) The girls they date are mirror-reflections of their own unpredictable, interchanging personality traits; from the Aryan-suave blonde to the knotty, smouldering Latin. And Barcelona the town, lent a mazy mysteriousness by cameraman John Thomas, is the perfect city in which to lose your ego and identity every time you take them out for a walk.

BARCELONA (12)
Whit Stillman

SILENT TONGUE (12)
Sam Shepard

SUTURE (15)
Scott McGehee and David Siegel

ONLY YOU (PG)
Norman Jewison

There was nervous laughter at the press show, as of an audience unaccustomed to being confronted with wit early on a Monday morning. Stillman has lashings of it. At another party – or perhaps the same one – Fred is berated by a Spanish guest for his country's rate of violent killings. "All those shootings!" decries the guest. "Doesn't mean we're more violent," says Fred, "just better shots." Besides, as he also says, all anti-Americanism has its roots in sexual impotence. And by the time you have argued your way of that, Ted and Fred have moved on to the next provocation.

How we wish Sam Sbepard's *Silent Tongue* had been set in Barcelona. Alan Bates (charlatan medicine-peddler) and Richard Harris (hirsute prairie-dweller seeking to buy new daughter-in-law from Bates, having lost the last one) could have wandered into a USO office and been blown up. Or they could have wandered into a conversation with Ted and Fred and been shut up.

For Shepard's play – sorry, film – no, let us be honest, play-on-film – is 100 minutes of fancy logorrhea punctuated with berserk images. The late River Phoenix, playing Harris's son, sits under a tree emoting at his dead wife, who ofttimes descends from the branches with blanched, half-deformed features. Harris, having made off with Bates's second daughter, is being chased across the plains by Bates. And Bates is being chased, to judge by his performance, by the spirit of the late Sir Henry Irving.

Poor River Phoenix is being chased by no one. Having now escaped Shepard's earthly mataphysics, he has gone to join the other shepherd in the skies. There the dialogue will be better and the airwaves will be free of the sound of vast, constipated, histrionic metaphors – about American history, American perfidy, American violence – seeking celluloid release.

Suture shows what sometimes happens – rarely but interestingly – when that interbreeding process we mentioned takes place between writer and director slave colonies. Twins! Scott McGehee and David Siegel share creative credit in this low-budget first feature, a philosophical thriller about a semi-amnesiac constrnction worker (Dennis Haysbert) assuming his murdered half-brother's identity.

No plot, but tons of talk and non-sequitur: Chris Eigeman and Mira Sorvino in Whit Stillman's 'Barcelona'

The film is piquant and pretentious in equal measure. A doctor called Renée Descartes; lines like "Each man has his own jungle"; music (very hip-polymorphous) by Verdi, Wagner and Johnny Casb; and a blithely disregarded, or perhaps devoutly Borgesian, non-sequitur in the fact of one half-brother's being black, the other white.

Meanwhile the movie makes so many nods to other movies that it ends np looking like a Los Angeles oil-drilling machine. There is Frankenheimer's *Seconds* for the plastic surgery scenes, Hitchcock's *Spellbound* for the amnesia, and *film noir* passim for the determinedly "stylish" monochrome photography.

Still, *Suture* is mad enough, baroque enough, over-the-top enough, to seem promising. I would not cut off McGehee and Siegel's funding until I had seen their second movie.

Only You is the week's sole release made in the approved Hollywood way. One director, Norman "Moonstruck" Jewison, and one writer, Diana Drake; plus a plot so swimming with oldfashioned romance that rather than a press hand-out one needs an emotional tide table.

Will pretty Marisa Tomei escape marriage to her fiancé, a boring foot doctor, and meet the man sbe knows is Mr Right because when she was a child two separate authorities – a Ouija board and a gypsy fortune teller – told her his name?

That is a long, breathless sentence, but so is the film. The destined man is one "Damon Bradley". So Tomei, flying off to Italy for reasons we cannot pause to explain, meets charming, handsome, flibbertygibbetish Robert Downey Jr – D.B. or not D.B.? – who says he is the man of ber dreams.

We must not spoil the suspense for you, and there is little enough to go around anyway. Everything that in *Moonstruck* seemed fresh and winning is here tritely contrived or tourist-Italianate. "Een Eetaly we live for pleasure, for food, for love..." says the movie's clicbé Italian charmer (Joaquim De Almeida); and every waiter and porter, peasant and fisherman, seems ready to stop dead – preferably under the stars – to discuss life and love.

For all the chaos that sometimes ensues wben slave colonies cross-breed in Hollywood, at least it ensures that news gets around; that one group will manage to tell the other that history *has* moved on since *Three Coins In The Fountain*, *Roman Holiday* and *Gidget Goes To Rome*.

Cinderella: A Gothic Operetta

Now here is a surprise. For his latest piece Lindsay Kemp offers us a modest show, simply staged on a minimal set, in which understatement and subtlety draw us to the truth...

Only kidding. *Cinderella, A Gothic Operetta* is the usual Kemp blend of camp, parody and baroque excess, dripping with references and luridly staged. (If you are struggling to place Kemp, he is the one who makes Julian Clary look the model of restraint). Those who like their shows rich and strange may admire *Cinderella;* I found it indigestible and surprisingly unilluminating.

Kemp's intent, the programme note advises us, is to take the Cinderella story and excavate the cruelty and hypocrisy that be beneath it, using satire, melodrama, cinematic and theatrical allusion to jangle your expectations. Grand Guignol, Cocteau and pantomime collide, styles are parodied and plundered – attending a Kemp show is a bit like walking into an overflowing junk shop, wbere exotic treasures and monstrous creations are piled on top of one another and you never know what you will bump into next.

More interested in guardsman: Lindsay Kemp as the ageing Prince, with François Testory Alastair Muir

Here, Cinders is no sweet little innocent, but a mute, bestial creature peeping out from a mane of tangled hair, who has been caged by her ugly sisters and raped by her father. The prince is no handsome hulk, but a mad Lndwig figure, played by Kemp himself in a wild wig. This ageing buffoon shows far more interest in his guardsmen than in Cinderella, but is bustled into marriage by his grim widowed mother. The whola thing is staged on a rampant Gothic set and mimed extravagantly by the cast.

This would do for most shows, but this one carries on recklessly. The palace is a corrupt Hapsburgian place, yat the setting is a tropical colony. While the prince clearly favours young Rupert, Cinders has her eye on Dandini, a dashing young guardsman. After the wedding (a disappointing affair with the prince turning up drunk), there is a spot of bed-hopping, which culminates in Cinderella clobbering her new husband near to death as his attentions remind her of her father's rape. Just as you are taking this on board, Dandini ups and throttles the prince's mum and a revolution breaks out. Turns out he was a republican all along. Cinders saves the prince... but by this stage, you have no appetite for any more.

The trouble is, you need none of this. The Cinderella story is cruel enough and politically suspect enough unadorned. Even a basic pantomima will reveal this much, and e pantomima usually has the added attraction of being funny. Here, the comedy is peculiarly laboured and clumsy and the arch, parodic style of performance cannot support tbe political and sexual baggage. It is not revealing; neither is it fun.

But Kemp goes on. There are some nice moments – Cinderella has a wonderful pair of gold slippers that light up in the dark – and the final image of Cinders pushing ber deranged busband around in a wheelchair is touching, but by this time, your capacity for being touched has been bludgeoned to death.

Sadler's Wells until February 4

Theatre/Alastair Macaulay

The Winter Guest

We always want – at one and the same tima – to depend on, and to be independent of, other people. This truth is most striking between lovers or married couples; but *The Winter Guest*, the tender new play by Sharman Macdonald (author of *When I Was a Girl I Used to Scream and Shout* and *Shades*), shows the conflict between dependence and independence among friends and neighbours. There is not one adult male in sight. The scene is a town on the west coast of Scotland.

The cast of eight comprises four adult women and four children, seen almost always in conples. Elspeth (Pbyllida Law), a greying widow, talks to her daugbter Frances (Sian Thomas). Frances's teenage son Alex (Christian Zanone) starts a clumsy relationship with a local girl Nita (Arlene Cockburn). Two young boys, Tom and Sam, play and chat about the longed-for approach of puberty and the uncertainty of future employment. Two elderly women, Chloe (Sandra Voe) and Lily (Sheila Reid), wait for the bus and talk of funerals and trivia.

Though most of the action occurs in Frances's house, on the road outside, and on the icy beach, the overpowering impression on evarything is the beautiful cyclorama of grey sea and sky. The designs are by Robin Don, lighting by Peter Mumford. The production, currently in Leeds and dne to transfer to London's Almeida Theatre, is directed by the actor Alan Rickman.

Early on, a certain amount of precious contrivance in the writing becomes apparent. Chloe: "I remember shoes." Lily: "I remember buses." Whereupon Chloe embarks on a sub-*Milk Wood* nostalgia for various shoes. Wistful sentimentality is mnch in evidence, too. But Macdonald's main purpose is to show how each conversation runs along at least three separate lines simultaneously, thereby deepening the mental scope of the play beyond its initially narrow confines. Sometimes she lets characters rattle on, until, within a single speech, they contradict themselves. Elspeth starts saying to Frances that she certainly doesn't need her, but she carries on to the point of saying "A person needs to be needed. And if you don't need me... you could be."

Rickman has encouraged his cast to make the most of this overlap of contrasting thoughts, so thet the actors often string two, three or four separate sentences together in one breath. The preciosity and sentimentality of the writing never vanish, but they become increasingly submerged by larger issues. Chloe and Lily's final scene hinges on a fall Chloe has just experienced which makes her think of a recent sermon, comparing humans to ephemeral dragonflies. "Are we maggots in the slime, Lily?" Lily reminds her that next week's funeral is of someone they both knew: "We were practically in at the death. You'll not fall while I'm here. They're all right, dragonflies."

Macdonald's sheer lightness of touch here and elsewhere, is fine and touching. Yet the play ends with Sam, alone in the fog on the icy rocks, calling in fear to Tom, who is out of sight and earsbot. A poignant, haunting image.

It is splendid to watch four of Britain's finest actresses together, and the four child actors are almost as good. Elspeth is the most complex role, and Law is especially good. Rickman, wbo belped to commission *The Winter Guest* from Macdonald, shows considerable skill as a director, not least in pacing. Nothing rings false. Humour, eccentricity, stoicism, despair, loneliness, affection, playfulness, are all touchingly present, side by side by side.

At tbe Courtyard Theatre, West Yorkshire Playbonse, until February 18. Then at the Almeida Theatre, London N.1.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Semiramide: by Rossini. Ion Marin conducts the Royal Symphony Orchestra at 1 pm; Jan 28
● The Royal Concertgebouw Orchestra: Valery Gergiev conducts Bartók and Stravinsky at 8.15 pm; Jan 26, 27
OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● L'Italiana In Algeri: by Rossini. Produced by Dario Fo, conducted Alberto Zedda at 8 pm; Jan 26

■ BERLIN

GALLERIES
Neue Nationalgalerie Tel: (030) 266 2653
● George Grosz, Berlin-New York: exhibition of the German Dadaist who emigrated to the US; to Apr 17
OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249
● Aida: by Verdi. Conductor Stefan Soltesz, production by Götz Friedrich at 7 pm; Jan 28 (6 pm)
● Ballet Evening: conducted by Sebastian Lang-Lessing. Nacho Duato, Glan Tetley and Harris Mandafounis choreograph works by Debussy, Poulenc and Stravinsky at 7 pm; Jan 27 (7.30 pm)
● Der Fliegende Holländer: by Wagner. Conducted by Heinrich Hollreiser, production by Gustav Rudolf Sellner at 7 pm; Jan 31
● Madama Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani at 7 pm; Jan 26 (7.30 pm)

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Pierre Boulez: conducts the London Symphony Orchestra with soprano Jessye Norman and the London Symphony Chorus as part of his 70th birthday celebration. Music includes Berg, Bartók and his own, 'Livre pour cordes' at 7.30 pm; Jan 26, 29
Festival Hall Tel: (0171) 928 8800
● Handel: Messiah: Charles Francome conducts the Royal Philharmonic Orchestra and soprano Turid Karlsen, contralto Ruby Philogene, tenor Hirohisa Tsuji and bass Hubb Claessens at 7.30 pm; Feb 1
● Philharmonia Orchestra: conducted by Lawrence Foster plays Rossini, Paganini and Tchaikovsky at 7.30 pm; Jan 30
● Royal Philharmonic Orchestra: with pianist Eliso Virsaladze and conductor Yuri Temirkanov plays Britten, Prokofiev and Shostakovich at 7.30 pm; Jan 31
● The London Philharmonic: jazz meets the symphony. Lalo Schifrin conducts this fusion of classical and jazz traditions at 7.30 pm; Jan 29
● Vienna Philharmonic Orchestra: Bernard Haitink conducts Bruckner'a Symphony No. 8 at 7.30 pm; Feb 2
Queen Elizabeth Hall Tel: (0171) 928 8800
● The 1995 Mozart Birthday Concert: the Britten Quartet with Norbert Blume (viola) and Leon McCawley (piano) at 3 pm; Jan 29
GALLERIES
Anthony d'Offay Tel: (0171) 499 4100
● Andy Warhol: early drawings by the artist; to Jan 28 (Not Sun)
Barbican Tel: (0171) 638 8891
● Impressionism in Britain: the first comprehensive survey of tha development of Impressionism in Britain. Over 200 works by over 100 artists including Degas, Rothenstein and Whistler; to May 7
Serpentine Tel: (0171) 402 0343
● Man Ray: exhibition of works by the celebrated artist; to Mar 12
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Figaro's Wedding: in house debut for conductor Derrick Inouye at 7pm; Jan 26, 28
● King Priam: a new production of Tippet'a opera that opens the London festival - Tippet: Visions of Paradise, to celebrate the composers 90th birthday at 7.30 pm; Feb 3
● Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a mafia boss at 7.30 pm; Jan 27; Feb 1
Royal Opera House Tel: (0171) 340 4000
● Cosi Fan Tutte: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidó. In Italian with English surtitles at 7 pm; Jan 28, 31; Fab 3
● Otello: by Verdi. Conductor Carlo Rizzi, director Elijah Moshinsky. In Italian with English surtitles at 7.30 pm; Jan 26; Feb 1
● Troilus and Cressida: by Walton. An Opera North production conducted by Richard Hickox and directed by Matthew Warchus at 7.30 pm; Jan 30; Feb 2
THEATRE
Barbican Tel: (0171) 638 8891
● New England: World premiere of Richard Nelson's new play. No performance 12-15th Dec., otherwise at 7.15 pm; Feb 3
National, Lyttelton Tel: (0171) 928 2252
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Feb 3
National, Olivier Tel: (0171) 928 2252
● The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. With Denis Quilley as Falstaff; at 7.15 pm; Jan 27, 28 (2 pm), 30

■ NEW YORK

GALLERIES
Museum of Modern Art Tel: (212) 708 9480
● Kandinsky: Compositions: exhibition featuring approximately 40 works including seven of the surviving 'Composition' paintings; from Jan 26 to Apr 25
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Cavalleria Rusticana / Pagliacci: by Mascagni/Leoncavallo. Production by Franco Zefirelli, conductor Christian Badea at 8 pm; Feb 1
● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 28; Feb 3
● Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnelle, conducted by James Levine at 8 pm; Jan 28 (1.30 pm)
● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco. James Levina conducts the opening night cast of Cheryl Studer, Plácido Domingo and Vladimir Chernov at 8 pm; Jan 28, 30; Feb 2
● Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi at 8 pm; Jan 27, 31
THEATRE
Jean Cocteau Repertory Tel: (212) 677 0060
● The Cherry Orchard: by Chekov. A new production directed by Eve Adamson at 8 pm; to Mar 8

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● London Symphony Orchestra: with soprano Jessye Norman. Pierre Boulez conducts Berg, Bartók and his own compositions at 8.30 pm; Feb 1, 2
● National Orchestra of France: Charles Dutoit conducts Beethoven at 8 pm; Jan 26, 27
● Viennese Philharmonic Orchestra: Bernard Haitink conducts Bruckner at 8.30 pm; Jan 30

■ WASHINGTON

GALLERIES
Sackler Tel: (202) 357 2700
● A Basketmaker in Rural Japan: examples of all 103 designs by Hiroshima Kazuo, the world'e greatest basketmaker; to Jun 9
OPERA/BALLET
Washington Opera Tel: (202) 418 7800
● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Fab 2
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 7 pm; Jan 30; Feb 1, 3
● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 26, 29 (2 pm)
THEATRE
Arena Stage Kreeger Theater Tel: (202) 554 9066
● Hedda Gabler: Henrik Ibsen's drama, directed by Liviu Ciulei and translated by Christopher Hampton at 7.30 pm; from Jan 27 to Mar 19 (Not Mon)
Arena Stage, Fichandler Theater Tel: (202) 488 3300
● Long Day's Journey Into Night: Eugene O'Neill'e classic American drama, directed by Douglas Wager at 7 pm; to Feb 5 (Not Mon)
Kennedy Center Tel: (202) 467 4600
● How to Suceed in Business Without Really Trying: co-production with the Kennedy Center. Directed by Des McAnuff and starring Matthew Broderick as J. Pierrepont Pinch, the little window-washer with big corporate dreams at 8 pm; from Jan 29 to Feb 26 (Not Mon)

WORLD SERVICE
BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)
MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Unlocking secrets of unemployment

BOOK REVIEW

STRUCTURAL SLUMPS
By Edmund Phelps
Harvard University Press, 1994, 420 pages, £39.95 ($49.95)

Over the past 20 years, unemployment in the European Union has quadrupled, from a rate of less than 3 per cent in 1970 to more than 10 per cent today. There are more than 16m people out of work in Europe. In the UK, the unemployment rate averaged 3¾ per cent in the 1970s, rose to 9 per cent in the 1980s, and now stands at 8.6 per cent.

Unemployment is the biggest economic challenge facing Europe. There is no shortage of official discussion. Last year alone brought the Detroit jobs summit, the Organisation for Economic Co-operation and Development unemployment study and the European Commission white paper on growth, competitiveness and employment. But these efforts will come to naught without new ideas which officials can beg, borrow or steal. Edmund Phelps's book is a substantial contribution to the analysis of swings in unemployment from one cycle to the next.

Phelps's starting point is the concept of the natural rate of unemployment,. developed in the 1960s by Milton Friedman and Phelps himself. The natural rate is the level of unemployment to which the economy would tend, given the institutional nature of wage bargaining and the imperfections in labour markets.

There is nothing optimal about this level of unemployment. On the contrary, policy can, and at the moment should, aim to reduce the natural rate. The valoe of the concept lies in showing that unemployment can deviate from the natural rate only temporarily, when unexpected changes in inflatioo take employers and employees by surprise.

For example, if nominal demand and inflation rise faster than expected, businesses find it attractive to hire more labour at the current wage rate. If nominal demand and inflation fall faster than expected, they will lay off labour at the current wage rate. Sooner or later, however, wages will adjust to reflect the underlying state of the labour market and unemployment will return to the natural rate.

Although neither Friedman nor Phelps argued that the natural rate was constant, empirical studies of the US showed that the assumption of a constant rate did little injustice to the facts. But the sharp rise in European unemployment in the 1980s posed a challenge to their theories. It is implausible that unemployment remained high for more than a decade because wage bargainers had not caught up with the new commitment of governments to low inflation.

If slow adjustment of nominal wage rates cannot explain persistently high unemployment, what can? One explanation is that as unemployment goes np, the natural rate itself also rises – the "hysteresis" effect. Unemploymeot reduces both the willingness and ability of the individuals affected to hold down a joh.

There is, however, little direct evidence to support the hysteresis hypothesis. And US experience contradicts it, since unemployment there returns to the previous natural rate after a recession. Are there competing explanations?

Enter Phelps mark II. In his new book, Phelps argues that non-monetary factors produce systematic changes over time in the natural rate.

Central to this is his view of the labour market. It differs from most markets in that an unemployed worker cannot get a job by offering to work for less than the current wage. Even if workers are identical, companies will pay a premium to existing staff to ensure an adequate performance level.

The wage that is necessary to retain and motivate the existing staff (the supply wage) will, in equilibrium, be equal to the wage that companies can afford to pay given the demand for their products (the demand wage). Factors that raise the supply wage relative lo the demand wage will lead to an increase in the natural rate of unemployment.

For example, taxes and benefits which reduce the attractiveness of work will raise the supply wage. Higher real interest rates will lower the demand wage (because businesses make an investment when they hire people and incur training costs). A higher interest rate means that companies recoup their investment only if they can pay lower wages for a given state of demand for their products.

So much for the theory. Does it help to explain higher European unemployment? Phelps argues that much of this rise can be explained hy three factors: increases in taxes and benefits, the rise in real interest rates in the 1970s, and the impact of the oil price shocks.

None of these points is particularly novel, with the exception perhaps of the stress laid on the role of real interest rates. But they may be of limited value in explaining European unemployment levels.

For example, unemployment remains stubbornly high even though the oil price shocks of the 1970s have worn off. And higher real interest rates have not led to a rise in the natural rate in the US comparable with that in Europe. We are left with the old chestnut of European social welfare, "rigid" labour markets and inflexible real wages.

If the empirical relevance of the factors stressed by Phelps is, as yet, unproven, there can be no doubt about the value of the intellectual enterprise. Phelps integrates earlier thinking on the labour market into a theory of the dynamics of the natural rate.

Understanding the structure of the natural rate is the necessary first step in the design of measures to tackle the unemployment prohlem. This book is sure to stimulate further research. Some readers will find that the use of mathematics falls between the two stools of rigour and accessibility lo the non-specialist. But perseverance will bring a wealth of insights into the nature of unemployment.

Mervyn King

The reviewer is executive director and chief economist, Bank of England

ECONOMIC VIEWPOINT

The 'if only' UK miracle

By Samuel Brittan

The British Treasury's latest monthly Comparison of Independent Forecasts may not tell us much about the UK economy (the Treasury has always paid too much attention to forecasts, its own and other people's). But its tabulation of how the indepeodeot forecasts have changed over the past 12 months tells us a great deal about the trend of spot economic news and the impact of that news on economic opinion.

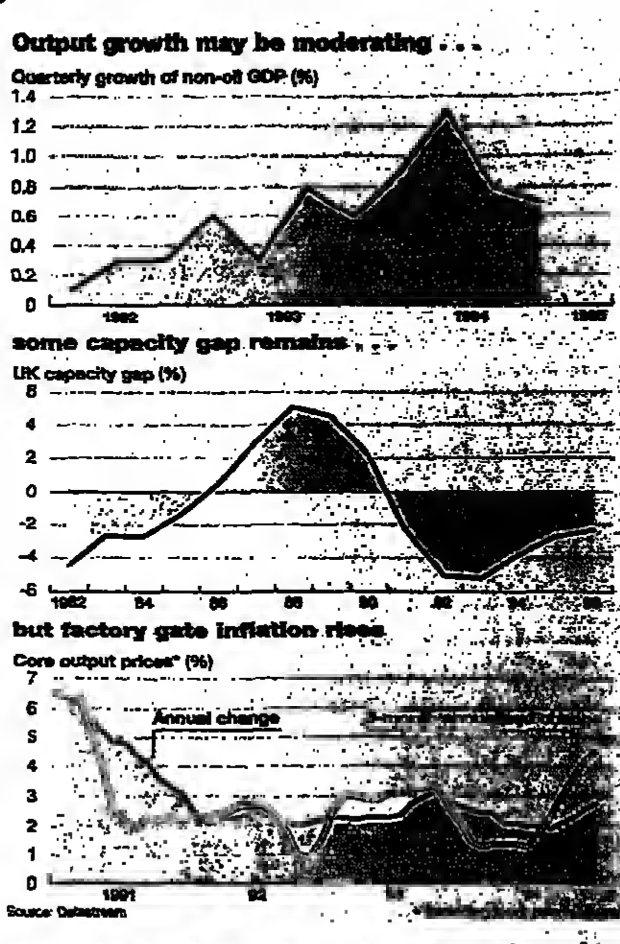
All the "good" indicators show an upward trend. For instance, as 1994 progressed, GDP growth for 1995 was estimated at successively higher amounts. There has also beeo a spectacular improvement in the current halance of paymeots forecasts for 1995 – from a deficit of around £12bn to near balance.

Such a change is to be expected after a year of rapid, but apparently sustainable, recovery, during which growth reached 3.7 per cent excluding the volatile oil sector. The current balance of payments deficit confounded expectations by shrinking rapidly and claimant unemployment dropped by 1.2 percentage points. A miracle, if only its elements would last.

Yet the recovery is a notably joyless one. A cartoon encapsulated popular reactions with a huge dole queue, in front of which a central hanker was saying to an official in striped trousers that there was not enough slack in the economy. Indeed, market capitalism has oever been less popular since the fall of the Berlin Wall.

The proximate reasons for this mood are well known. Export-led growth may be what the economic doctors have offered, but its benefits for the ordinary citizens are, at best, delayed. And, although consumer spending is far from depressed in volume terms, it is financed in part from savings and made possible by bargain hunting from shop to shop.

Nevertheless, it will not he in anyone's interest for the recovery to go up at a later date in a puff of inflationary smoke; and its speed does have to be watched. The policy framework which underlies the briefing for the monthly monetary meetings that the chancellor, Kenneth Clarke, holds with the Bank of England governor, Eddie George, is illustrated by the second of the accompanying charts. The horizontal line shows normal capacity working. Above it inflation takes off: below it inflation should be decelerating. Suppose the trend growth of productive capacity is, say, 2 to 2½ per cent per annum, which is still the Treasury's best estimate (although the chancellor, Kenneth Clarke, believes it to be higher). OECD estimates, based on the whole economy, suggest that the UK economy is still a few percentage points below the capacity line. CBI survey evidence, based on manufacturing alone, suggests that the economy is a shade above that line.



If the OECD is right, it should be possible to have some years of above-trend growth before expansion needs to slow down to its underlying rate of between 2 and 2½ per cent. But obviously too rapid a rate of growth is counter-productive even before the capacity level is reached. Inflation is sensitive to the rate of shrinkage of, as well as the size of, the capacity gap, and too vigorous a boom would pose a sharp re-entry problem.

The flash estimate for the fourth quarter GDP should be reassuring. This estimate boils a mass of conflicting month-to-month indicators down into one number. Its message is that, excluding the oil sector, growth has been slowing down from the hectic rates of the first half of 1994; and in the last quarter of last year was down to an annualised rate of between 2½ and 3 per cent, only a little above the conservative estimate of underlying growth.

Where, then, are the flies in the ointment? First, there is an obvious contrast betweeo the fourth-quarter GDP estimate showing moderating growth and the Confederation of British Industry's January Trends Survey, which reports the largest actual gains in orders and output since 1988, aod the highest expected orders since 1977. Export optimism is the greatest since 1973. Most remarkably, job expectations are almost neutral. In the past, the balance has been heavily negative and job growth has come from outside the manufacturing sector.

The CBI results may throw doubt oo the reliability of the flash GDP estimate. More likely, they underline the contrast between the fortunes of manufacturing and the remaining four-fifths of the economy. This contrast may also help to explain the paradox of never-has-it-beeo-so-good economic indicators (which are preponderantly derived from manufacturing) and the mood captured io the cartoon. One might, however, have thought that the mass of doom-mongers, who have so long berated the performance of manufacturing, might have raised one cheer (as they certainly would have done had a Labour government been in power).

Meanwhile, there is clearly a contrast between the policy implications to be drawn from the existence of surplus capacity in the whole economy and those from looking directly at price data. Inflationary worries are difficult to brush aside because price pressures are a reality and not just a theoretical possibility. Producer prices have been rising in the past three months at an annualised rate of nearly 4½ per cent – the highest since 1991, although still amazingly low by the standards of most recent decades. The balance of CBI firms expecting to increase prices has shot up above the negligible levels prevailing in recent years to more like the average of the 1980s.

Price increases are being led by raw materials and intermediate goods. The resistances are at the consumer end. The reason basic materials are under pressure is that the unexpectedly vigorous upturn is world wide. Commodity prices, which hitherto have only been recovering from earlier falls are beginning to register long-term gains.

One moral is that the 1 to 2½ per cent inflation band (the lower half of the original 1 to 4 per cent band), which chancellor Clarke now accepts as a target, may be too narrow to cope with the ebbs and flows of economic life. An attempt to stay too literally within that band is, like all fine tuning, liable to be destabilising.

The British Treasury has created a rod for its own back by accepting too quickly and uncritically the Majority Report of the Retail Prices Index Advisory Committee in favour of maintaining the present distorted headline inflation indicator, which may well rise to 4 per cent over the next few months due to the rise in mortgage rates and excise duties. Not only did false economies lead to the full RPI report not being given to the press; but the press summary did not even devote a single sentence to my opposing minority report.

Meanwhile, there is no need to rush into another base rate increase at the monetary meeting on February 2. There are signs that monetary growth is slowing down. Flat or slightly falling house prices – which have already triggered a downturn in construction orders – together with alarmist media discussion of job uncertainties are restraining consumer demand. And the Mexican debacle may make international investors more risk averse and, thus, slightly restrain the world upturn. The last UK base rate increase took place only on December 7 and its effects have still not worked their way through. The near certainty of an upward US move at the Fed meeting the day before may tempt "Steady Eddie" to a macho gesture. He should, however, resist it. There will be time to consider a base rate increase in early March when there are a few more signposts to what has been happening so far in 1995.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Paying a high cost for hubris

From Mr Michael W. Allman.

Sir, Is the Glaxo acquisition of Wellcome economically sound ("Glaxo in £9.4bn Wellcome bid", January 24)? Certainly, for Wellcome, and also for the British (and world) economy in total. But not for Glaxo.

Studies in the UK and other countries consistently show that shareholder value changes on the days surrounding an acquisition hid announcement are the best predictor of the future value-added of such deals.

Wellcome shareholders were treated to an increase in market capitalisation of £2.4bn, while Glaxo shareholders suffered a decrease of £1.4bn, indicating a net increase of £1bn in total. No small amount of synergies to be sure. But why did Glaxo overpay?

If it had done its shareholder value analysis correctly, it would have realised that the minimum it could afford without destroying shareholder value was £8.05 per share.

Once again shareholders must suffer from the hubris of our husiness leaders.

Michael W. Allman,
The Alcar Group,
19a Cavendish Square,
London W1M 9AB, UK

Directors' pay: shareholders are being too passive

From Mr Christopher Haskins.

Sir, It is slightly mischievous of Sir Ian Vallance (Personal View, January 25) to point out that the cost of an executive's salary in the context of the total sales of the organisation is tiny. If you use that argument to justify every item of expenditure you will soon be out of husiness.

His four criteria are probably the right ones, but clearly the controversial one is comparability. My impression is that most companies strive to pay their executives in the upper quartile of market surveys – which is, of course, a licence for chronic and rampant salary inflation.

International comparisons are certainly appropriate in the oil industry, hut I might be quite happy to work at a substantial discount in Aberdeenshire, Scotland, rather than Alaska. If I am a dairyman, or run the local water works, I don't think international comparisons have much relevance.

Sir Ian ignores the unscrupulous directors who just grab what they can at every opportunity. Although they probably are less prevalent than a few years ago, they still exist.

The Institute of Directors is right to promote transparency and shareholders accountability, although in so doing it is tacitly recognising the shortcomings of the non-executive role as proposed by the Cadbury Committee on corporate governance. Unfortunately, most shareholders prefer to remain at a distance and inert on this and other corporate strategic issues.

The case for greater shareholder commitment is overwhelming.

Christopher Haskins,
Chairman, Northern Foods,
Beverley House,
St Stephen's Square, Hull,
East Yorkshire, UK

From Mr Peter Burton.

Sir, In his otherwise clear and well-balanced article on executive pay, Sir Iain Vallance skates too lightly over the effect of high levels of chief executive rewards on a company's employees. In stating that the precise level of the boss's pay is "immaterial" to them, he puts rationality ahead of feelings. Does it really feel right if the top pay in an organisation is 50 or 100 times that at the bottom? And does it feel right if the man or woman at the top gets a rise when the state of the firm's finances dictates a standstill or cuts in pay for almost everyone else?

It has become a cliché for top managers to say "our most important asset is our people". If they believe it, let them take account of people's feelings!

Peter Burton,
AGC Consultants,
26/28 Bedford Row,
London WC1R 4HF, UK

From Mr Mark Lee.

Sir, chief executives like Cedric Brown of British Gas, who run huge and complex businesses, are hounded in the press for earning £500,000 ("Gas chief defends pay rise", January 25). Yet nothing like the same attention or outrage falls on barristers or senior medical consultants who earn as much – in many cases substantially more.

Like Mr Brown, their work, in part at least, is a service to the general public (and still partly paid by the public purse). Therefore, like the utilities, they have wider social responsibilities. Like Mr Brown, they are not unique, nor indispensable. Unlike Mr Brown, they are not responsible for a business on whose survival and continued prosparity thousands of jobs depend.

Mark Lee,
21 Thames Reach,
Rainville Road,
London W6 9HS, UK

Conclusion about UK's Euro policy a 'travesty'

From Mr David Howell, MP.

Sir, Joe Rogaly describes the prime minister's position as "pumping up the anti-Brussels rhetoric, with not a thought given to stating the positive case for the EU" ("Major's triple test", January 24).

How does he arrive at that conclusion? Answer, by assuming that if you are against further European political integration you must be anti-European.

This is nonsense. Which is more positive – to push European integration and centralisation to the the point where reaction threatens to break tha back of the whole European endeavour? Or to work for a more subtly articulated and flexible Europe of states in which national identities and diversities are built upon, not suppressed? Which is more modern? Which is more likely to endure future stresses and strains?

The Rogaly approach smacks of Animal Farm language training – federalism, good (positive); confederalism, or a Europe of natioo states, bad (negative): and that is the end of the matter.

This just will not do. Rogaly calls his highly coloured version of the government's European policy "a tragedy". "Travesty" woold be the more appropriate word.

David Howell,
House of Commons,
London SW1 0AA,
UK

Negative idea of fatwa

From Cameron Khosrowshahi.

Sir, I was surprised at the inaccuracy of the terminology used in your article "Norway recalls Iran envoy over Rushdie dispute" (January 17). You have translated the Islamic legal term fatwa as meaning death edict. This translation is entirely wrong and only serves to exacerbate the misconceptions that unfortunately exist between tha west and the Islamic world.

A fatwa is a legal opinion issued by a religious scholar based on Islamic law, and it is very rarely a pronouncement of death. A fatwa is the means by which the Moslem jurist addresses a wide range of social and political issues within the context of Islamic law and tradition.

A fatwa is the interpretation of the law by a particular Moslem scholar and is hy no means universally accepted by the Moslem world; on the contrary, they are often disputed among different scholars and schools of thought. Fatwas are a symbol of the diversity of discourse in the Moslem world and the medium through which Moslem jurists are able to extrapolate from tradition in dealing with present day issues.

To translate this fundamental term in such a negative and narrow way betrays its importance and versatility as a tool of social and political progression.

Cameron Khosrowshahi,
1727 Massachusetts Ave,
Apt. 512,
Washington DC 20036,
US

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Thursday January 26 1995

Putting Italy's interests first

Mr Lamberto Dini, the new Italian prime minister, won a parliamentary vote of confidence yesterday hy the apparently comfortable margin of 302 votes to 39. However, in reality, Mr Dini's position is extremely precarious. Mr Silvio Berlusconi, leader of the conservative Freedom Alliance, whose depnties abstained, seems to have opted to keep Mr Dini in power simply for as long as it suits his own interests.

Mr Dini, formerly Treasury minister in Mr Berlusconi's government, heads an administration entirely composed of non-politicians. He aims to pass emergency reforms, above all to prune public spending and change the electoral law, and then resign to pave the way for new elections. Mr Dini's success is far from certain. In a sense, his sole source of strength is his weakness, since the main factor that may maintain his government is the realisation that, if he should fall, Italy's difficulties would become truly desperate.

Mr Dini owed yesterday's victory to Mr Berlusconi's apparent reasoning that he would damage his own political position by voting down immediately one of the few heavyweights in his former administration. Howaver, by declaring he would tolerate Mr Dini's premiership only issue hy issue, and sticking to his demand for early elections, Mr Berlusconi has underlined how Mr Dini's survival hangs on a thread.

Mr Dini yesterday needed the support of the former communist Democratic Party of the Left (PDS) as well as that of the Northern League, Mr Berlusconi's former coalition partners. Since PDS opposition was one of the main reasons why Mr Dini's plans for lower pensions entitlementa foundered last November, the new prime minister can hardly count on solid backing from this quarter for tough budgetary cuts.

Yesterday a report from the Organisation for Economic Co-operation and Development underlined that action to curb Italy's "high and spiralling public debt" is becoming more urgent all the time, even though output growth, inflation and current account are all better than expected a year ago.

On the evidence of yesterday's parliamentary vote, assembling a majority to restore order to Italy's public finances and credibility to its government will be enormously exacting. Italians hoped last March's elections would produce a new breed of politicians with the steadfastness to guide the country out of crisis, yet parliament's capacity to make the right decisions has remained painfully inadequate.

Much depends still on the businessman-turnad-politician from whom so much was expected last spring. It may he too mnch to hope that Mr Berlusconi will put his country'a interests ahead of his own by calling on his dapnties to give solid backing to Mr Dini's reform efforts. Yet unless this support is forthcoming, Italy's unstabls circumstances will become much worse.

Armed struggle

The current swirl of rumour that British-based Westland may be about to lose an order for Royal Air Force transport helicopters to the US manufacturer Boeing may lack substance. But, at the very least, it is another hint that European defence contractors are having a hard time beating off US competition. As the British order for 25 Lockheed transport aircraft before Christmas showed, hard-pressed European defence ministries and treasuries are finding it difficult to justify funding the development and production of new defence equipment when advanced American equipment may be bad cheaply off the shelf.

In Westland's case, special factors may yet swing the decision in the company's favour. Westland has good export prospects for the aircraft which would be blighted if its largest potential home buyer rejected it. Perhaps more importantly, the government more or less committed itself to buying the EH101 when it placed the development contract in 1987.

Yet even if the EH101 does eventually win an order from the RAF, the main reason for concern – its cost – does shed light on the difficulty of maintaining a European defence base. Compared with the US, Europe's arms industry is small and fractured. That leads to shorter production runs, higher overhead costs and less efficient spending of research and development funds than is achieved in the US. The result is that Europe pays proportionatsly more for a less effective defence.

As the peace dividend squeezes defence budgets, the pressure on European companies will increase. The current struggle over the choice of a US or European attack helicopter for the Netherlands, and the debate over transport helicopters for the RAF, would bave been quickly resolved in favour of the home teams a decade ago. Now they are finely balanced.

There are signs thet European politicians and husinessmen are beginning to tackle the problem. For example, Mr Henri Conze, head of French arms procurement, Mr Louis Gallois, chairman of Aérospatiale, and Mr Roger Freeman, the British defence procurement minister, bave all argued that change must come. Yet thus far the language is tentative. There is much talk of joint ventures on future weapons, and little discussion of rationalisation now.

While the practical problems of rationalisation are buge, such a gradualist approach may not be sufficient, given the speed with which US manufacturers are penetrating the European market. If European defence manufacturers are to continue to deserve the support of European governments, they must move quickly to cut thair cost bases and duplicated effort. Politicians, for their part, must oil the wheels of the process and not stand on sovereignty unnecessarily. Economics already argues for a buy-American policy in Europe. If arms makers do not change that calculation by hanging together, they will assuredly hang separately.

Clinton's lessons

What has President Bill Clinton learnt from his first two years in office? The answer he gave to that question in Tuesday's State of the Union message was lengthy, but coherent. He has recognised his mistakes, and claims to have learnt from them. In truth, however, his chances of winning a second term depend more on the Republicans than on Mr Clinton.

One aspect of the speech – its length, a full 81 minutes – gave little sign of a reformed president. Yet in other, more important, respects, the Republicans' landslide in November had clearly left its mark. The main lesson that be has learnt is to be pragmatic.

Soma in the administration have argued that he should take his relative impotence as an opportunity to appear bold. Since even moderate proposals are unlikely to be enacted, they argua, why not make more amhitious gestures? The proposals he outlined late last year, for a "Middle Class Bill of Rights", were an uneasy compromise between these arguments and more conservative voices. Yet the lack of specific proposals in Tuesday's speech indicates a growing reluctance to spend time on detailed programmes that are doomed to fail, radical or otherwise.

An often-mentioned exception to this approach might have been foreign policy, ths traditional domain of presidents. Yet this, too, was conspicuous by its sbsence. Apart from a hrief endorsement of the Mexican $40bn loan guarantee package, Mr Clinton did not take the opportunity to stake out his turf as a foreign policy president.

Again, this is partly a reflection of his weakened position. Regardless of whether he would like to concentrate on taking the lead in foreign policy, it is far from clear that it is open to him. As the battle to pass the Mexican package shows, Senator Jesse Helms, new chairman of the Senate Foreign Relations Committee, seems determined to keep the president on an unusually tight rein abroad.

Yet the neglect of foreign affairs was linked to the other key element of Mr Clinton's speech: a determination, on core domestic issues, not to allow his mandate of 1992 to be entirely eclipsed by thet of 1994. Hs cannot veto a constitutional amendment to balance the federal budget, which he opposes, bnt he will stop measures to reverse his past efforts, such as the 1994 crime bill. And although willing to work with the Republicans in many areas, he vowed to draw the line at measures that benefited the rich at the expense of the working and middle classes.

There may be scope here for a workable compromise between Mr Clinton and the new Congress. As he noted, both can agree that the electorate voted for "change" in 1992 *and* 1994. Judging by Tuesday's speech, they now disagree, however, on the scope for delivering change in anything but modest doses. If the new rightwing revolutionaries on Capitol Hill ignore this fact, Mr Clinton could yet recover.

Pulled in all directions

Turkey is caught up in economic and political crises that the rest of Europe must not ignore, says **Edward Mortimer**

What is to be done about Turkey? For west Enropean leaders – anxious about Algeria, bogged down in Bosnia, harassed on the home front, rattled by Russia, uncertain of US intentions – that may not seem ths most urgent question of 1995. But Turkey stands at the intersection of many if not all these other crises, and has entered *the new year floundering* in multiple crises of its own, all of which are getting worse. Already a nagging ache, it could become ona of Europe's most painful trouble spots before the year is out.

Most immediate and obvious is the economic crisis, dramatised by figures released this month. Wholesale prices rose by 149.6 per cent in 1994, and consumer prices by 125.5 per cent – both figures the highest ever recorded – while gross domestic product fell by 6 per cent in the first nina months of the year. Yet Turkey's population is growing at 2.2 per cent annually. Unemployment is rising, and the loss of purchasing power for those employed in Turkey's bloated public sector has been drastic.

In the south-east of the country, a war between the Turkish state and Kurdish separatists is costing an estimated $8bn to $10bn a year – between 30 and 35 per cent of government revenues. It is also poisoning Turkey's domestic politics and increasingly its foreign relations.

In November alone, according to Turkey's independent Human Rights Association, 383 people were killed in political violence, 21 of them under torture or in custody. Forty-one Kurdish villages were forcibly evacuated by the security forces. The association published a list of 105 "politicians, intellectuals and scientists" in prison at the end of the month – charged with crimes of opinion rather than direct involvement in violence.

Any expression of support for Kurdish separatism, or even Kurdish autonomy within Turkey, is liable to get its author arrested. Meanwhile the Kurdistan Workers' party, the PKK, has begum to extend its terrorism into the cities of western Turkey, where many Kurds now live, and signs of an anti-Kurdish backlash among ethnic Turks have begun to appear.

Not surprisingly, this state of affairs attracts attention abroad, especially among liberal west Europeans. Turkey is in danger of filling the position vacated by South Africa as punchball of the European left. Thus the country's human rights record is seriously aggravating its third major crisis, over relations with the European Union.

Turkey was already hitter at being shunted aside in the queua for full EU membership hy ex-communist states, including its neighbour Bulgaria, once merely a province of the Ottoman empire. Now the country finds even its customs union with the EU, planned for the end of this year, being hlocked hy Greece.

Greece of course has its own axes to grind against Turkey, most notahly over Cyprus. But the Turkish government had been counting on bigger European states to persuade the Greeks that the customs union – which Turkey believes is a legal obligation arising from its 30-year association agreement with the EU – must go ahead. West European leaders showed little appetite for this task, however, after Turkey's state security court sentenced eight MPs from the pro-Kurdish Democracy party, the DEP, to up to 15 years' prison on December 8.

No decision on the customs union was taken when Turkey's foreign minister, Mr Murat Karayalçin, met his EU counterparts in Brussels on December 19, except to schedule a further meeting for March 6. Turkey was in effect given two and a half months to clean up its act.

"I'm unhappy with the situation," says Mr Karayalçin, to whoss Social-Democratic People's party (SHP) the DEP was formerly affiliated. He points out that there is s right of appeal to a higher court, and also to the European Court of Human Rights in Strasbourg, but insists the government itself is powerless to influence the judicial process. Next week, Mr Karayalçin will meet his British, French, German and Italian colleagues in London, in an attempt to break the stalemate before the March meeting.

All these crises are aggravated, and Turkey's ability to resolve them is jeopardised, by s crisis of its political system. There are two conservative parties, with broadly similar liberal economic policies, which between them could command a comfortable majority in parliament, and which agree in principle on four central issues: privatisation, economic stabilisation, the customs union with the EU, and "democratisation", which means introducing full freedom of speech and association and getting rid of the last vestiges of military rule. But these two parties have so far been unable to co-operate, let alone merge. Tha bitter personal rivalry between their founders – the late Turgut Ozal, who died in 1993, and his successor as president of the republic, Mr Süleyman Demirel – has been carried on by the present party leaders.

Since 1991 the Motherland party (ANAP) founded by Ozal has been in opposition, while Mr Demirel's True Path party has governed in coalition with tha SHP. The result – first under Mr Demirel himself and then, since he was elected president on Ozal's death, under Mrs Tansu Çiller – has been a government of near paralysis, tainted by scandal and more and more unpopular.

Only last April, after suffering a collapse of the currency and staggering through mid-term local elections, did the coalition find the courage to introduce a stabilisation programme which its economic advisers had been urging on it ever since it came to power. Mr Demirel still refuses to admit that such measures should have been taken under his premiership in 1992 – a year when, according to him, "there was no trouble in Turkey".

Mrs Çiller's coalition may well not survive a congress this weekend at which the SHP, her social democratic partner, is to unite with another leftwing party. The proposed new party is widely expected to replace Mr Karayalçin with a more hardline leftwing leader. According to one of her closest advisers, Mrs Çiller is resigned to the break-up of the coalition, but intends to soldier on as leader of a minority government.

Mr Mesut Yilmaz, ths ANAP leader, insists on early elections in the autumn as his price for joining the government. Mrs Çiller is unwilling to pay this price, believing that imminent elections would be incompatible with the confidence and stability needed for her austerity package to work, and that cross-party support can be mustered for the reforms on which she and Mr Yilmaz are in hroad agreement. Yet few outside her immediate entourage believe this strategy will work, or give Mrs Çiller any serious chance of staying in office beyond the autumn, whatever she does.

A general election, due by late 1996, is thus widely expected by the end of 1995. President Demirel himself points out that no Turkish legislature has served the full five-year term accorded it by the 1982 constitution. But an election in present circumstances could bring to a head probably tha most profound of all Turkey's crises, which is the deep split in the country between secularists, devoted to the legacy of the republic's founder, Mustafa Kemal Atatürk, and those who seek to reassert the centrality of Islam in Turkish politics and society.

The Refah or Welfare party, which expresses the latter aspiration, is currently in the lead in opinion polls, with up to 25 psr cent support. Since last March's local elections, it has administered the two largest Turkish cities, Istanbul and Ankara.

Algeria, albeit geographically further off, now casts a longer shadow over Turkey than Iran does

Power at municipal level has brought Refah its share of scandal, with accusations that funds collected for Bosnian Moslems have been embezzled, but these do not seem to have dented its image as the only radical and untried alternative to a corrupt and bankrupt establishment. "Wa've tried all the others, why not try them?" asked a young unemployed construction worker encountered last week in a Cappadocian village, who in the next breath disclaimed any personal interest in religion.

The fact that such disgruntled voters are turning to an avowedly Islamic party implies, as does the muffled debste about a separate Kurdish identity, a crisis of legitimacy for the 70-year-old republic. Until recently, Atatürk's beritage effectively ruled out any questioning of either nationalism or secularism as basic ingredients of modernity. Religion was firmly subordinated to the state, and no language or identity other than Turkish was admitted. But the very success of modernisation, especially since the 1980s when almost the whole of Turkey's economy and aociety was opened up to global influences, made it impossible to contain Turkish pobtics within this ideological straitjscket any longer.

Turgut Ozal, who as prime minister from 1983 to 1989 had pushed forward this climactic stage of modernisation, used his last presidential years (1989-93) to giva discreet expression to alternative identities which earlier stages had so ruthlessly suppressed. He publicly recalled a Kurdisb-speaking grandmother, and seemed at the time of his death to be nudging the nation towards acceptance of Kurdish political identity in some form. Similarly, while clearly no fundamentalist, he displayed a reverence and affection for Islam which his predecessors had eschewed, and hinted that the late Ottoman caliphate might not have been quite as backward or obscurantist as Kemalist orthodoxy had painted it.

Such musings provoked deep anxiety among a Turkish elite which had thoroughly espoused secularism, especially women's emancipation, and which desperately feared a relapse into fundamentalism. The rise of Refah, an opportunist and outwardly moderate Islamic party with a fundamentalist hard core, has raised that anxiety almost to panic level. In the view of one western diplomat: "The Kemalists [followers of Atatürk] are as much part of the problem as the fundamentalists." The problem in his view is not so much the danger of an Iranian-style Islamic revolution (a remote contingency) as that of a deep polarisation of Turkish society rendering democracy no longer workable.

Iran is a neighbour, but its Shia revolution offers no model for Turkey, where Sunni Islam has always been dominant. (Turkey's Shia minority, known as Alevis, are in fact the most fervent devotees of secularism.)

Algeria, albeit geographically further off, now casts a longer shadow over Turkey than Iran. In December 1991 the Islamic Salvation Front (FIS) won a plurality of votes in the first ballot of an Algerian general election, which it would have converted into a majority of seats in the second ballot. The army stepped in and cancslled the vote. At the time, much of the westernised Algerian elite breathed a sigh of relief. Three years later, the country is mired in a barbaric civil war.

Would the Turkish elite and armed forces make the same mistake? Of course, they hope not to get to that point. One thing Mrs Çiller and Mr Yilmaz agree on is that a new electoral system should be introduced to ensure that all secular parties make common cause against Refah. Ironically, the system they favour is the same two-ballot, single-member constituency one that would have handed victory to the Algerian FIS.

Others, less enamoured of electoral gimmicks, believe Refah can still be defeated if another alternative to the prevailing corruption and chaos is offered. Oo the left, Mr Bülent Ecevit, three times prime minister in the 1970s, has gained in popularity by holding aloof from the present coalition and is trying to raise the banner of a revived Kemalism. So is Professor Mümtaz Soysal, who recently resigned as foreign minister and is now a candidate for the leadership of the reunited left. But they are on bad terms with each other, and both, when interviewed earlier this month, seemed to cling to an old-style statist socialism which is scarcely credihle in the 1990s.

More interesting is the New Democracy party, formed last month by Mr Cem Boyner, a charismatic 39-year-old textile magnate. With a touch of populism, be promises to end the war in the south-east, break up the parasitical public sector, and introduce a genuine separation of religion from the state along the lines of the US First Amendment. Mr Boyner, shrugged off by worldly-wise Ankara pundits as a typical Istanbul smart-aleck, retorts thet it is he, not they, who is in touch with the real public opinion of modern Turkey.

Time will tell, but time is short. For the moment, Refah is still riding the groundswell of puhlic anger against a political class that seems content to fiddle while Turkey burns. President Demirel, the armed forces, and tha European Union may all soon find themselves facing a Turkish parliament in which Refah is the dominant force. They would then have to decide whether cohabitation or confrontation involves the greater risk.

OBSERVER

Polka dottiness

■ When is a resignation not a resignation? When it happens in Warsaw. Take foreign minister Andrzej Olechowski. He first resigned last October, then suspended his going until the end of 1994. Then he said he would leave on new year's day.

Wherenpon he said he was *definitely* going in the middle of January, even getting prime minister Waldemar Pawlak and president Walesa to agree to let him go. Then Walesa changed his mind and refused to accept tha resignation. So Olechowski is still looking after foreign policy.

Promising to join Olechowski in limbo is Zenon Smolarek, Poland'a chief of police. Andrzej Milczanowski – interior minister – said that Smolarek will resign this week. Wait a minute; didn't Smolarek already resign, in 1994? Indeed he did. Then he handed in his notice after newspapers accused him of turning a blind eye to corruption in the police force of the city of Poznan.

Smolarek said he couldn't stay on, after such smears. But a lengthy search for a successor – punctuated by another attempt by Smolarek to resign – ended in Pawlak asking him to carry on. Which he did.

Now Milczanowski says that he has discovered that Smolarek tried to influence witnesses in the investigation which followed the initial newspaper reports. Smolarek must go, says Milczanowski. President Walesa agrees. But prime minister Pawlak says he has more pressing concerns than resolving Smolarek's fate.

Oh, go on then – get your feet under the desk again.

WHO wants it

■ Wanted: experts in public health, sociology, development economics, demography and environmental scieoces, for well-paid jobs with tha World Health Organisation, in order to assist in establishing a new international medical research centre. Must be flexible self-starters, and highly qualified.

Must also be prepared to consider living in temporary rubble-strewn conditions and not mind too much about the threat of earthquakes.

For the research centre is going to be situated in the Japanese city of Kobe. WHO's executive board – spurred on no doubt by its director-general, Hiroshi Nakajima, who is Japanese – approved the plan after Kobe authorities confirmed they still wanted it. Start queueing now.

Holiday relief

■ Which is the hardest working nation in the world?

According to New York bankers J.P. Morgan, the title goes to the People's Republic of Congo. Since 1918 Morgan has been publishing its "World Holiday and Time Guide", which it sends to customers instead of Christmas cards.

It records that the hard-pressed workforce in the Congo gets only five public holidays a year and the country's banks open at 6.20am.

Absurd theatre

■ Thespian torments in Milan, this time off-stage, where a prosecuting magistrate has called for a two-year jail sentence for 73-year-old Giorgio Strehler, one of Italy's best-known theatre directors.

Strehler and three officials of Milan's famous Piccolo Teatro are accused of siphoning off over L700m from European Union funds, intended for training young actors.

The prosecutor alleges some of the cash was pocketed by Strehler *et al*, while the rest found itself assisting the overstretched balance sheet of the theatre itself. Strehler and his colleagues deny the allegations, which first surfaced in 1992. Judgment should be given in the next few weeks.

Strehler has adopted an insouciant attitude towards the trial; he only appeared for the first round of questioning and didn't turn up for the trial itself. But he can probably afford it, for his professional reputation seems unthreatened; big names of European theatre, including Peter Brook, have rallied round with messages of support.

And while the trial has played to near-empty houses, Strehler's own production of Marivaux's *L'île des esclaves* is a sell-out at the Piccolo.

Mine's a XXXX

■ For those of you that don't know, today is Australia Day when, "in Australia, most people will spend the day in the sunshine: barbies will be lit, several tons of snags (sausages) cooked and thousands of cans of Foster's drunk . . .".

Ah yes, the joys of the promotional hand-out. The brewer Foster's has sent out a can of its lager and an Australian phrase-book, in the vague hope of getting an endorsement from not just Observer but, no doubt, hundreds of other hacks.

Apparently the brew is very popular in such New South Wales places as Coonamble (aboriginal pronunciation is *gunambil*, meaning "full of excrement") and Bundarra (aboriginal version is *bundaarra* or "place of kangaroos").

Cheers, me old *amster* – an "old-fashioned word for a person who tries to drum up business outside a sideshow".

Grave thought

■ Latest President Clinton joke. Being president is like running a cemetery. You have a lot of people under you but no one listens.

The Financial Times

100 years ago

Governorship of Victoria
Melbourne: The action of the Legislative Assembly in reducing the salary of the Governor from £10,000 to £5,000 . . . is likely to cause serious trouble. The Premier, Mr George Turner, has decided to move the reversal of the vote fixing the salary of future Governors at £5,000 with the object of making it £7,000, which it is understood would be acceptable to the Colonial Office authorities.

American Bond Forgeries
Edwin Quigley, the New York stockbroker who was recently arrested on a charge of forging City bonds for a large amount, was yesterday sentenced to 15 years' imprisonment.

50 years ago

Banknotes called in
The Bank of England is empowered to call in its banknotes for £5 and upwards by a new Order in Council adding a Regulation to the Defence (Finance) Regulations 1939. [The aim] is to curb the activities of "black marketeers" and the main effect will be the isolation of the substantial amount of larger denomination notes which are still held abroad.

FINANCIAL TIMES
Thursday January 26 1995

Dini government takes a shaky grip on power

By Robert Graham in Rome

The government of Mr Lamberto Dini, the first postwar Italian administration composed entirely of non-politicians, yesterday won a parliamentary vote of confidence based on pursuing a limited agenda.

The approval, secured only after many MPs abstained from voting, was given in expectation that the technocratic administration would give priority to tackling the country's public finances.

The vote in the chamber of deputies followed the abstention of most of the outgoing rightwing coalition led by Mr Silvio Berlusconi but was supported by the centre and left parties, with the exception of Reconstituted Communism, the former Communist party, which voted against.

Although the financial markets had expected Mr Dini, the former director-general of the Bank of Italy, to survive the vote, the lira weakened slightly. This reflected concern over the difficulty the government may have in dealing with a fractious parliament.

Mr Dini now finds himself openly backed by those who were the main opponents of the Berlusconi government, in which he was treasury minister. The opposition, led by the former Party of the Democratic Left (PDS), voted for Mr Dini to prevent early elections sought by Mr Berlusconi and his main ally, the neo-fascist MSI/National Alliance.


Dini: secured limited approval in parliamentary vote of confidence

Mr Berlusconi's supporters in the former coalition refused to endorse the new government, but eventually decided not to risk a split in its ranks by voting against.

Party modorates had argued that immediately bringing down the new government when its policios so clearly represented continuity would be counter-productive. Polls had shown some 70 per cent of Italians favoured a confidence vote for Mr Dini.

By abstaining, the Berlusconi supporters enabled the majority required in the chamber to fall from 316 to 171. The voting line-up after 2¼ days of debate was 302 in favour, 270 abstaining and 39 against.

Next week Mr Dini will have to try to win the Senate's confidence. This is a foregone conclusion as sufficient senators have already indicated their backing.

Mr Berlusconi is smarting over his failure to wring an unambiguous commitment from either Mr Dini or President Oscar Luigi Scalfaro for an election date. He may well wish to remind the new government again that it cannot easily survive without the tacit support of his coalition backers.

The vote marked the beginning of a new political realignment. Tho populist Northern League led by Mr Umberto Bossi, who was responsible for bringing down the Berlusconi government by deserting the coalition, split yesterday. While the bulk of the 97 deputies voted for Mr Dini, 12 broke away to abstain, forming a new parliamentary grouping under the wing of the outgoing rightwing coalition.

● The Organisation for Economic Corporation and Development yesterday bluntly warned that Italian economic and political stability were at risk so long as the problem of the country's spiralling public debt remained unresolved.

Fascist flame, Page 2
Editorial Comment, Page 15

S Korea to widen ownership of leading companies

By John Burton in Seoul

South Korea, which has spent a decade trying to curb the country's large conglomerates, will relax restrictions if the family owners thet dominate industry reduce their shareholdings to less than 20 per cent.

The policy, announced yesterday by the country's fair trade commission, is intended to widen the ownership of the leading companies, or chaebol, while allowing them the flexibility to compete against foreign rivals.

It is a significant policy shift, because the government bas struggled to limit the economic power of the 30 largest chaebol, including Hyundai, Samsung and Daewoo, which dominate the nation's industry.

The government had imposed limits on bank loans to the industrial groups to halt their expansion.

Curbs were placed on cross-shareholdings and mutual loan guarantees to weaken the ties among chaebol subsidiaries, and the government used bank loan restrictions to encourage the wide-ranging chaebol to specialise in a few industrial sectors.

Under rules effective from April 1, the top 30 chaebol can escape these restrictions if they meet tough criteria on wider ownership and financial strength. Chaebol will have greater freedom if the family owners and relatives, company executives and other group subsidiaries have combined shareholdings of less than 20 per cent.

The groups' capital-to-asset ratio must also be more than 20 per cent, and more than 60 per cent of the shares must be offered to the public.

At present, the proportion of closely held shares among the 30 largest chaebol averages 42.7 per cent and the average capital-to-asset ratio is 20.1 per cent, according to the commission.

The changes follow complaints from the federation of Korean industries, which represents the chaebol, that the curbs hampered the groups' ability to compete effectively in the world market.

Only one chaebol, Kukdong Engineering and Construction, the nation's 27th largest conglomerate, is eligible for immediate relaxation of restrictions, although Kia, Korea's second largest carmaker and eighth-ranking group, is close to meeting tha criteria.

Officials say chaebol reform is necessary because the groups have grown too big to promote economic efficiency, with tha average chaebol engaged in 19 business sectors.

Their rapid expansion has also left the chaebol with high debt burdens.

Hyundai to sell and merge 27 divisions, Page 17

UK women opting for later childbirth, says social survey

By Andrew Adonis, Public Policy Editor, in London

British women are now far more likely to have children in their early 30s rather than their early 20s – a reversal of the position only five years ago.

For the second year running, women in their 30s also account for more births than women aged between 25 and 29 – previously the most popular five-year period for childbearing.

The switch highlighted in this year's social trends survey by the government statistical service, is the result of a long-running trend towards later marriage and childbearing. It goes hand-in-hand with a sharp rise in femalo participation in higher edncation and the professions, and the progressive break-up of the traditional family.

An increasing number of women are giving up childbearing altogether. While 11 per cent of women born in 1945 were childless at the age of 35, the number more than doubled among women born in 1955.

Marriage is becoming steadily less popular even among those wishing to start families. The marriage rate fell by a quarter between 1981 and 1992, while the proportion of births taking place outside marriage rose from about 12 per cent to 30 per cent.

However, it is too soon to write off the family completely. Even for those not intending to have children immediately, marriage remains the convention. The survey shows people in their 20s are more likely to live as couples without children than as single people. This is particularly the case among women in their 20s, about a quarter of whom live with partners, with only 14 per cent living singly.

The shift in childbirth from the 20s to 30s has been rapid. In 1993, 87 children were born per 1,000 women aged between 30 and 34, compared with 82 per 1,000 women aged between 20 and 24. In 1981, the figures were 70 and 107 respectively.

The survey charts the continuing rise of one-person and lone parent households. In 1993 more than a quarter of all households comprised one person, almost double the proportion in 1961. One in five mothers with dependent children was a lone parent in 1992.

Tho report also notes tho increased length of ednication and retirement. More than half of under-fives attended school in 1993, compared with only a fifth in 1971, and more than 20 per cent of the population is now aged over 60.

Veba to take a 10% stake in C&W

Continued from Page 1

The search for an international partner has been harder than Veba initially hoped. Mr Ulrich Hartmann, chief executiva, said in September thet an alliance would be unveiled before Christmas, but tho announcement has been postponed several times, fuelling speculation that the company would not find a big enough international carrier.

BT joined forces with Viag because it hoped that the Bavarian state government, which has close links with Viag, will use its influence to ensure that at least one of the licences awarded before 1998 will go to a Bavarian company.

The two mobile licences which are not held by Deutsche Telekom both went to companies based in north-western Germany, as has the only licence for data transmission services.

THE LEX COLUMN

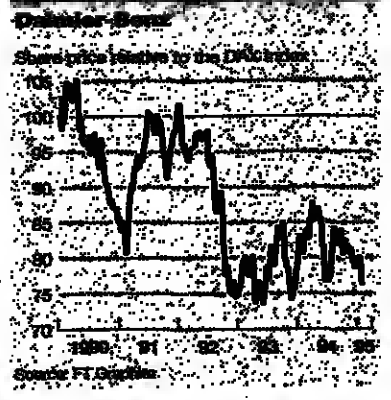
German Cable connection

Cable & Wireless will doubtless want to stress this morning what a coup it has pulled off by selling roughly 10 per cent of itself to Germany's Veba. Veba, it may be said, has more advanced telecoms ambitions than Viag, a rival energy-based conglomerate that has linked with British Telecom. Investors, though, will want to scrutinise the deal's financial aspects. In particular, if Veba is not to pay a premium for the stake, a good explanation will be needed. Premiums for strategic links in telecoms groups are the norm – as in BT's stake in MCI and Deutsche Telekom's and France Télécom's deal with Sprint.

Shareholders will also want to know what C&W plans to do with £800m ($1.2bn) plus cash if, that is, the deal involves issuing new shares. Such an amount would wipe out C&W's net debt of £500m. Some money would, no doubt, be invested in building a presence in the German telecoms market. But investors sbould ba worried unless there is a clear strategy for investing the rest. Keeping cash idling in the bank would not do much for C&W's sagging share price.

Veba may be a good partner for the German market. But C&W lacks a credible partner to address the rest of continental Europe, let alone the world. Its strategy seems to be to conclude regional alliances rather than a single global deal. If that involves selling several 10 per cent stakes to different companies investors may not be delighted,as the option of breaking the group up to enhance shareholder value would recede.

FT-SE Eurotrack 200: 1353.6 (-1.4)



Mexico

Mr Alan Greenspan, chairman of the US Federal Reserve, is right not to mince his words about Mexico. If Congress fails to pass the $40bn rescue package, the consequences for Mexico and other emerging markets will be dire. Panic capital flight will resume. Other Latin American and emerging markats could be swept up in the maelstrom. Fortunately, Mr Newt Gingrich, the new House Speaker, has staked some credibility on getting the deal accepted. That, more than Mr Greenspan's or President Bill Clinton's urgings, is the best reason for thinking the package will pass.

But the upside for Mexican shares is limited. In local currency, shares have barely fallen since December's massive devaluation. Given the damage wreaked by the crisis, the market looks overvalued. Last year's earnings will be down as companies write down peso-denominated assets against foreign denominated debt. This year's earnings will be worse affected, as high interest rates and spending cuts force an economic contraction. The hope for foreign investors must be less that the market will bounce than that the peso will recover.

The big question for Latin America is whether international investors' flight to quality will ba reversed. Much will depend on whether the US economy slows and interest rates quickly peak. If that happens, rattled investors could be tempted back into the region. That may not benefit Mexico. They are more likely to be tempted to other emerging markets.

Daimler-Benz

Daimler-Benz has been in the throes of restructuring since 1992, and the cost-cutting continues. By the end of next year, it will have shed 75,000 employees, a quarter of the workforce. By the end of the century, it will have reduced its annual costs by DM10bn ($6.5bn).

But is this enough? The sharp fall in the share price since last Friday suggests that investors think not. Their scepticism is justified, even though the success of Mercedes's C-Class model, combined with rationalisation, mean 1994 earnings will show a marked rebound from the previous year's DM1.8bn losses. The problem is that earnings growth is expected to be pedestrian thereafter. In the short run margins in the Mercedes-Benz car division will come under pressure with the introduction of the mid-series E-Class later this year. The longer term issue is that Daimler-Benz Aerospace and AEG are perennially troublesome and may take more time than the management predicted to return to profit. Further problems hore will underscore the risks of Daimler's contentious strategic desire to be a broadly-based transport and technology group.

Even after the latest price correction, Daimler's shares enjoy a premium rating. They trade on a multiplo of 10 to 12 times the earnings the group is expected to make later in the decade at the peak of the European automotive cycle. This is exceedingly demanding, given that the rest of the European motor sector is valued on a multiple of 4 to 7 times expected peak earnings.

Ladbroke

Texas Homecare's sale represents a significant step in Ladbroke's strategy of refocusing on hotels and gaming. Property and retailing were the last remnants of some disastrous 1980s diversification. Texas's recent poor performance demonstrates why Ladbroke must focus on its strengths. For its part, J Sainsbury can derive benefits from merging Texas with Homebase that no other operator could achieve, and this is reflected in the good price Ladbroke has obtained.

The deal's timing is fortunate for the leisure group. Under the FRS5 accounting standard, more than £200m of hotel sale-and-leaseback deals will become balance sheet debt. But Sainsbury's £290m cash should leave 1995 year end gearing at around 60 per cent. This could fall further, given the existence of £600m of property to sell.

Problems remain. Vernons, the pools business, is struggling against the National Lottery, and its profits could drop by one third this year. In addition, Ladbroke must be in a quandary over the likely break-up of Hilton Hotels in the US. Ladbroke would dearly love to pair the US hotels with its Hilton International business, but would be stretched to fund the sums needed. Yet the thought of Hilton falling to a US competitor must cause concern.

Nonetheless, Ladbroke is now focused on two strong recovery sectors and has the management time to concentrate on building them up. This strategic refocusing could turn the tide on five years of massive stock market underperformance.

Additional Lex Comment, Page 21

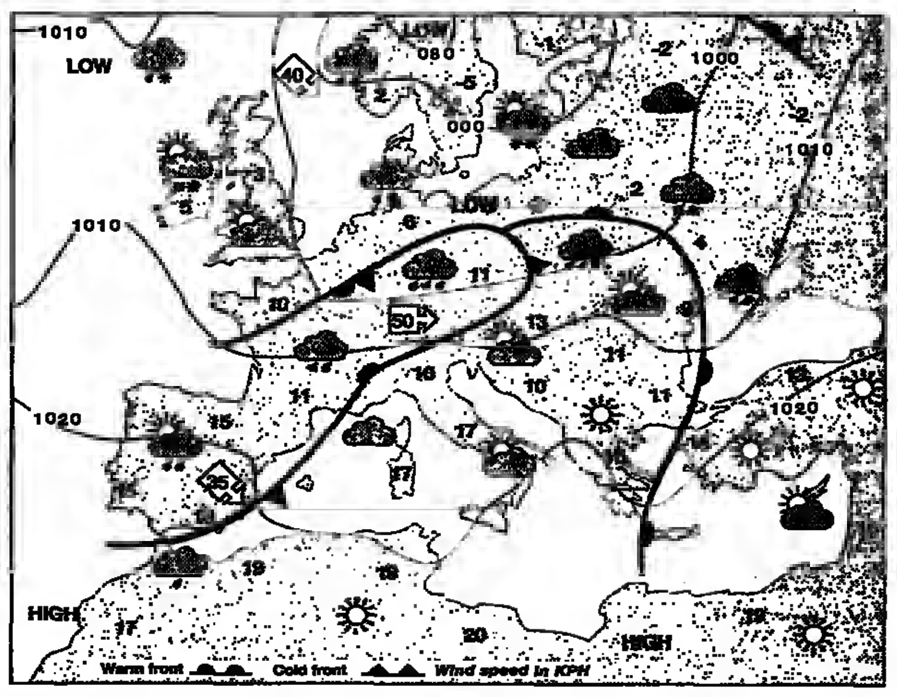
FT WEATHER GUIDE

Europe today

Mainly clear but unstable air will be drawn into the British Isles from the polar region and wintry showers are expected in northern areas. Rain will persist in France, Germany and the Alps with temperatures well above freezing. Low pressure will dominate eastern Europe, bringing rain to the Czech Republic, Slovakia and Poland. A weak front will cross Spain bringing widely scattered showers, but southern Spain and the Balearics will be rather sunny. Pressure will remain high in the central and eastern Mediterranean, producing sunny conditions except for occasional showers in central Italy.

Five-day forecast

Bands of rain will continue to approach western and central Europe. The UK, France, Germany and the Alps will have a lot of rain and high temperatures. Spain and Portugal will be unsettled during the weekend with occasional rain. The central and eastern Mediterranean will be dry and sunny, as will the Balkans where temperatures will reach 20C.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	23
Accra	fair	32
Algiers	fair	18
Amsterdam	rain	7
Athens	sun	18
Atlanta	fair	14
B. Aires	sun	32
B.ham	fair	5
Bangkok	fair	33
Barcelona	fair	18
Beijing	sun	1
Belfast	fair	8
Belgrade	sun	14
Berlin	rain	7
Bermuda	shower	18
Bogota	fair	22
Bombay	sun	32
Brussels	rain	10
Budapest	fair	18
C.hagen	fair	1
Cairo	sun	18
Cape Town	fair	24
Caracas	fair	30
Cardiff	fair	8
Casablanca	fair	17
Chicago	sun	2
Cologne	rain	11
Dakar	cloudy	23
Dallas	rain	17
Delhi	fair	23
Dubai	sun	23
Dublin	fair	5
Dubrovnik	fair	15
Edinburgh	fair	6
Faro	shower	17
Frankfurt	rain	12
Geneva	rain	10
Gibraltar	shower	16
Glasgow	fair	2
Hamburg	rain	8
Helsinki	fair	-1
Hong Kong	fair	20
Honolulu	fair	27
Istanbul	sun	12
Jakarta	thund	30
Jersey	rain	10
Karachi	fair	28
Kuwait	fair	18
L. Angeles	sun	18
Las Palmas	fair	21
Lima	cloudy	27
Lisbon	fair	18
London	fair	7
Lux.bourg	rain	8
Lyon	rain	14
Madeira	fair	20
Madrid	cloudy	12
Majorca	cloudy	15
Malta	sun	18
Manchester	fair	4
Manila	cloudy	30
Melbourne	fair	23
Mexico City	fair	24
Miami	sun	24
Milan	fair	10
Montreal	snow	-7
Moscow	cloudy	-2
Munich	rain	18
Nairobi	fair	28
Naples	fair	17
Nassau	fair	24
New York	fair	4
Nice	cloudy	14
Nicosia	fair	18
Oslo	sun	-3
Paris	rain	10
Perth	thund	31
Prague	rain	12
Rangoon	sun	27
Reykjavik	fair	-5
Rio	fair	31
Rome	fair	17
S. Frsco	fair	14
Seoul	cloudy	-1
Singapore	shower	31
Stockholm	sun	-3
Strasbourg	rain	18
Sydney	shower	23
Tangier	shower	18
Tel Aviv	fair	20
Tokyo	fair	8
Toronto	fair	-3
Vancouver	fair	11
Venice	fair	10
Vienna	cloudy	18
Warsaw	rain	8
Washington	sun	6
Wellington	rain	21
Winnipeg	fair	-6
Zurich	rain	11

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday January 26 1995

IN BRIEF

Air France may link with rivals

Air France, the loss-making state-owned airline, is discussing alliances with international carriers, including American Airlines and Japan Airlines, with the aim of strengthening its position in the US and Asian markets. Page 18

Weak demand batters Boeing's profit
Boeing, the US aircraft maker, yesterday reported a near halving of net income, to $157m from $304m, in its fourth quarter. It blamed continued global weakness in demand for new aircraft. Page 20

Unisys in red after job-cut charge
Unisys, the US computer group, has reported a net loss for its fourth quarter, after charges to cut more than 4,000 jobs. Earnings for the year were disappointing, it said. Page 20

Pechiney shake-up strengthens Rodier
Pechiney announced a management reorganisation, allowing Mr Jean-Pierre Rodier, the new head of the French state-controlled packaging and metals group, to consolidate his power. Page 18

Nestlé posts sales slip
Nestlé, the world's largest foods group, has reported a 1.2 per cent decline in sales to SFr56.8bn ($44.68bn) for 1994 and weaker volume in the fourth quarter. Page 19

Losses trimmed at KOP and Unitas
Finland's two leading private-sector banks, Kansallis-Osake-Pankki and Unitas, made losses for the fourth year running in 1994 as they struggled to recover from the loan loss crisis caused by the country's deep recession at the start of the decade. Page 18

Asean tie for Singapore Telecom
Singapore Telecom (ST), the island republic's partially privatised telecommunications and posts utility, is linking up with three of south-east Asia's biggest telecom companies to co-ordinate regional services to multinational companies. Page 19

Bank of East Asia's 39% rise disappoints
Bank of East Asia, Hong Kong's third-largest listed bank, disappointed the colony's stock market in spite of unveiling a 38.6 per cent rise in full-year net profits to HK$1.54bn (US$199m). Page 19

Grand Met's boss hits pay jackpot
Lord Sheppard, the chairman of Grand Metropolitan, earned a total of £1.34m ($2.09m) in 1993-94 – one of the highest payments ever received by a director of a UK public company. Page 21

Allied Textile lifted by purchases
Contributions from its recent acquisitions enabled Allied Textile Companies, the textile manufacturer and processor, lift pre-tax profits 24 per cent to £17m ($26.5m) in the year to September 30. Page 22

French insurer targets Lombard
A French insurance group, announced an £83m ($129.5m) agreed cash offer for Lombard Insurance, the UK provincial insurer, in a move highlighting the trend towards consolidation in the European insurance sector. Page 22

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Allianz	832	+	9.3
GEHE	524	+	7
Thyssen	292.7	+	4.7
Falls			
Hochtief	827	–	21
Lahmeyer	570	–	10
Wella	900	–	15.5
NEW YORK ($)			
Rises			
Lotus Dev	44¼	+	3¾
Philip Morris	58⅞	+	½
Sun Micro	32¼	+	⅞
Falls			
Apple	40⅝	–	1
Bausch & Lom	33¼	–	1½
Compaq	37	–	5⅝
LONDON (Pence)			
Rises			
Arcolectric	175	+	22
Eidos	19	+	4
Lombard Ins	231	+	81
TSB	248	+	16
Falls			
Kalon Grp	99½	–	10
GS Hldgs	138	–	13
TORONTO (C$)			
Rises			
Comp Broker	7¼	+	⅝
Rigel Engy	15⅞	+	1¼
Softkey	35¼	+	1½
Falls			
Alpharant	7	–	1½
Domtar Inds	12	–	¾
Kerr Addison	23¼	–	1

PARIS (FFr)			
Rises			
Banc Comp	470.8	+	8.3
Bouygues	419	+	14
Cred Local	370	+	10.5
Havas	379	+	14.4
Falls			
BIC	666	–	9
Fonc Lyon	580	–	13
TOKYO (Yen)			
Rises			
Fudo Const	900	+	68
Ind Bnk Jap	2500	+	140
NSK	700	+	35
Penta Ocean	840	+	71
Toyo Const	830	+	85
Falls			
Mercian	651	–	29
HONG KONG (HK$)			
Rises			
Cheung Kong	28.55	+	1.25
Soco Group	25.2	+	1.2
HSBC Hldgs	74.25	+	1.5
Falls			
Bnk E Asia	25.5	–	0.25
Wing Lng Bk	47.3	–	0.2
Yngtzekiang	1.98	–	0.24
BANGKOK (Baht)			
Rises			
Siam City	348	+	14
Siam Pulp	77.5	+	5.5
Thai Poly	45	+	4.0
Falls			
Kang Huat	98	–	10
Sams Suk	200	–	18
Thai Coal	60.5	–	6.5

New York and Toronto prices at 12.30pm.

Cigarette giant increases market share despite growth of US anti-smoking lobby

Philip Morris profits up 37% in last quarter

By Richard Tomkins in New York

Philip Morris, the US food and tobacco group, shrugged off anti-smoking sentiment in the US and reported a 37 per cent increase in net profits to $1.1bn in the fourth quarter, mainly helped by strong growth in cigarette sales in the company's domestic market.

Group revenues rose by 12 per cent to $16.5bn. Earnings per share rose by 41 per cent to $1.27, partially reflecting extensive share repurchases.

The US cigarette market has been declining at a rate of 2-3 per cent a year, but last year Philip Morris increased its market share by 2.6 percentage points to 44.8 per cent, mainly through increased sales of Marlboro.

The extra volumes took the number of cigarettes sold in the US last year to 219.4bn. In the fourth quarter, it drove up domestic tobacco operating profits by 66 per cent from $488m to $812m – by far the largest quarterly profits increase from any of the company' divisions.

Ths next best performance came from international tobacco. Over the year Philip Morris increased the number of cigarettes sold outside the US by 17 per cent to a record 536bn, with the company attributing much of the growth to Marlboro. In the fourth quarter, the division's operating profits rose by 39 per cent from $431m to $598m.

Overall, Philip Morris sold 399bn Marlboro cigarettes around the world in 1994, an increase of 14 per cent.

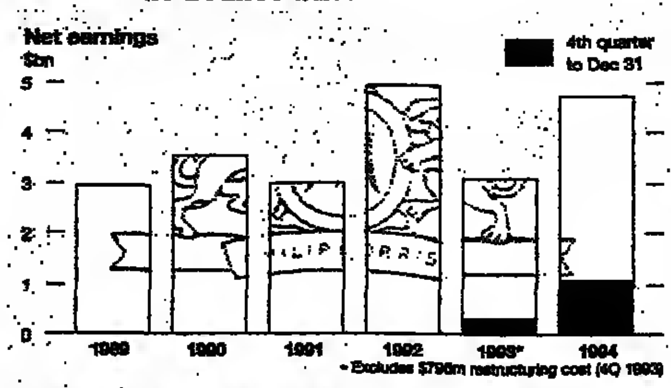
The food businesses – comprising Kraft and General Foods – recorded comparatively small quarterly profit increases. North American food lifted operating profits from $540m to $579m and international food rose from $369m to $397m. The beer company, Miller Brewing, rose from $30m to $47m.

The profits increase from Philip Morris's domestic tobacco division reflects the decision Philip Morris took in April 1993 to slash the price of Marlboro cigarettes and its other premium brands to win back market share from lower-cost rivals.

This led to a series of adverse quarterly earnings comparisons that lasted until the second quarter of last year. Since then, the division's profit increases have largely reflected recovery.

For the full year, Philip Morris's earnings per share, although up 19 per cent at $5.45, were still only back to 1992's level. Excluding restructuring charges and accounting changes, full year net profits rose by 17 per cent to $4.7bn.

A welcome bounce back



Operating companies income
4th quarter to Dec 31

	1994 ($m)	1993 ($m)	Change (%)
Domestic tobacco	812	488	66.4
International tobacco	598	431	38.7
International food	397	369	7.6
Total international	995	800	24.4
North American food*	579	540	7.2
Beer	47	30	56.7
Financial services & property	49	89	-44.9
Total companies income	2,482	1,947	27.5

* Includes Kraft Foods North America and Kraft Foodservice

Source: Company

UK fund manager buys Duff & Phelps of US

By Norma Cohen, Investments Correspondent, in London

Govett & Co, the UK-based fund management company, has bought Duff & Phelps, a US fund manager, in a deal worth $250m in cash and convertible preference shares.

The merged company will manage assets worth $50bn. The move reflects a growing trend among UK investment managers to acquire a foothold in the US, where investors are increasingly placing a higher proportion of their assets abroad.

That trend has opened the US market to overseas fund managers, as domestic investment managers have historically had little international expertise.

Mr Ian Whitehead, a director of Govett & Co, said the firm had sought the acquisition because "we believe we could attract a lot more money in the US with a domestic manager on the ground".

Govett will pay for the deal with $230m in convertible preference shares, valuing each Duff & Phelps share at $13, roughly a 50 per cent premium to its current share price. Duff & Phelps common shareholders will also receive a special cash dividend of $1.20 per share, worth $20m in total.

Govett has assets under management worth about $9bn. It is dwarfed by Duff & Phelps, which is based in Chicago and is best known in the US for its corporate bond credit rating agency and fixed income fund management. It demerged its credit rating agency last autumn and has been seeking a partner.

Duff & Phelps has roughly $41bn in assets, although it manages only 40 per cent of these on a discretionary basis where it makes investment decisions on behalf of the client. The rest of its business is in advisory fund management, where fees are much lower. It also has a 49 per cent of Canadian fund manager Beutel, Goodman and Co which has roughly C$10bn (US$7bn) under management.

Mr Whitehead said that the deal is attractive to D&P because it will now be able to to offer international equity fund management expertise to its clients.

Govett specialises in emerging markets and has carved out a niche in some US equity markets, specialising in small-capitalisation stocks.

The deal does not give Govett access access to the US retail market, which relies heavily on bank or broker distribution. Mr Whitehead says the acquisition nonetheless gives the merged firm "critical mass". Its increased size will make the firm more likely to win business from pension consultants.

"We find that for reasons of critical mass and the potential for cross-selling of products, we will grow much more rapidly than we would otherwise," he said.

Dutch ING Bank sets up shop in North Korea

By Ronald van de Krol in Amsterdam

ING Bank is to become the first foreign financial institution to establish an office in North Korea, the world's most isolated economy, after yesterday's signing of a joint venture agreement with a local partner.

The Dutch bank will own 70 per cent of the venture, with the rest to be held by the Korean Foreign Insurance Company, the country's monopoly supplier of non-life insurance.

The new bank, called ING-North East Asia Bank, will have its legal base in the Rajin-Sonbong free trade zone. This zone, near the Russian and Chinese borders, is the place where North Korea aims to concentrate all foreign investment that is expected to enter the country as it moves to relax its tense relations with South Korea and open up to the outside world.

ING Bank has also received permission from the North Korean authorities to establish a branch of the joint venture in the capital Pyongyang. The branch office is due to open sometime in the second quarter of this year.

ING's banking joint venture will also be allowed to arrange loans for customers in the local currency, the won. In some other countries where ING operates, such as China, it is not allowed to do local financing because of the threat this could pose to domestic banks.

"They [the authorities] do not regard the venture as a foreign bank but partly as a domestic institution," said Mr Jan Bosma, general manager of ING Bank in Seoul and the bank's negotiator of the North Korean deal.

The new bank has registered capital of $15m, of which $2m is paid-up. ING Bank's initial investment is 70 per cent of the paid-up capital, or $1.4m, plus salary and other costs. When it is launched, the Pyongyang office will have one expatriate manager and probably two local staff, a secretary and a driver.

ING Bank, which is part of ING Group, the big Dutch financial services company, said it took just four months to arrange the joint venture. This compares with the two-year process of getting permission to open an ING Bank office in Vietnam.

The speed of the negotiations underlines North Korea's wish to attract foreign investment, according to Mr Hans Yntema, general manager of ING Bank International. "They were very keen to have a western bank come to the country," he said.

When Mr Bosma first approached the North Korean authorities in September, he inquired about the possibility of opening a representative office. The North Koreans replied that he should think in terms of a bank with a full banking licence.

During the negotiations, Mr Bosma kept South Korea's "Unification Board", which monitors north-south relations, fully informed and met no objections. South Korea's big industrial groups are eager to invest in the North but will first need government permission, said Mr Bosma.

Background, Page 18

France kicks off this year's sales with tobacco group issue

By John Ridding in Paris

The French government kicked off its privatisation programme for this year, launching the sale of Seita, the tobacco monopoly best known for its Gauloises and Gitanes brands.

Mr Edmond Alphandéry, the economy minister, opened the pre-marketing period and said that potential investors will be able to place non-binding orders for shares from this morning. He gave a guideline range of between FFr126 and FFr134 per share, valuing the company at FFr6.5bn-FFr7bn ($1.32bn).

Seita is one of the smaller issues in the government's programme of selling 21 companies. Its sale is expected to bring receipts of between FFr5bn and FFr5.5bn.

The sale will test investors' appetites in depressed stock market conditions. The CAC-40 index of leading shares has continued its decline this year, after a fall of about 17 per cent in 1994.

Most industry observers expect a smooth sale, partly because of the strength of the company's brands. "Everyone is familiar with Gauloises and Gitanes, they are part of French culture," said one analyst.

Mr Bruno Fine, analyst at Banque du Louvre, the private bank, said the shares were attractively priced. Based on a share price of FFr130, he estimates a prospective price/earnings ratio of just over nine and a net yield of about 5 per cent. Net profits should reach about FFr707m this year, he said, compared with an estimated FFr665m in 1994.

Other analysts expressed caution. "Prospects for the company depend on the extent to which it expands overseas," said one.

The issue will be launched within the next few weeks, depending on market conditions. Individual investors will be offered half of the 26.6m shares included in the public offer. There will be a clawback option of 20 per cent of the 13.3m shares reserved for institutional investors. A core of long-term stable shareholders will hold 25 per cent of the shares. The French state will retain 10 per cent, with the balance going to employees and tabac owners.

The sale of Assurances Générales de France, the insurance group, has slipped down the privatisation list because of the decline in insurance shares. Pechiney, the aluminium and packaging group, and Usinor Sacilor, the steel producer, are preparing for privatisation.

Pechiney, Page 18

TSB tries to quell BNP rumours

By John Gapper and Steve Thompson in London

TSB Group, the UK retail bank, yesterday issued a statement to damp speculation that it was in talks with a potential acquirer after its shares rose sharply on takeover speculation, closing 16p up at 248p.

The company said said it "knew of no reason for the recent rise in its share price", in response to an inquiry from the London Stock Exchange.

There was speculation that Banque Nationale de Paris, the French bank which was privatised in 1993, was interested in acquiring TSB, perhaps acting together with Dresdner Bank, ths German bank with which BNP has an alliance.

Analysts said, however, such a move would be against BNP's stated strategy of being a retail bank only in France while expanding abroad in investment banking. They said TSB would also cost more than BNP could afford. There were several other rumours about potential bidders. Apart from the talk of BNP, other names being put forward by dealers included BAT Industries, British Telecommunications, Marks and Spencer and Prudential.

TSB shares closed at their highest level since last March, with turnover in the shares topping 26m, the third highest day's activity on record. Activity in the traded options was equal to a further 6.8m shares.

Bankers believe that a bidder would have to offer 300p per share for TSB, which has a net asset value of 126p per share. This means paying goodwill of about £2.1bn ($3.3bn), which would be deducted from an acquiring bank's capital.

Analysts said that such an acquisition would be impossible for BNP without raising fresh equity. BNP has shareholders' funds of FFr59bn ($11.1bn), and trades at a large discount to its net asset value of FFr316 per share, including reserves.

Mr Romain Burnand, analyst at Paribas Capital Markets, said he would be "astonished" if BNP made a bid for TSB.

He said investors in BNP did not appear to believe the story as its shares closed FFr5.40 higher at FFr234.

Hyundai to sell and merge 27 divisions

By John Burton in Seoul

Hyundai, South Korea's largest conglomerate, plans to cut the number of its subsidiaries from 50 to 23 through mergers and disposals within the next three years. Yesterday's announcement is the latest example of reorganisation by the country's industrial groups, or chaebol, in response to government demands that conglomerates should be streamlined to promote efficiency and reduce their economic dominance.

Hyundai will concentrate on six core areas: shipbuilding, cars, electronics, petrochemicals and refining, machinery, steel and construction. It is Korea's leading producer in most of these sectors, with a sales target of Won60,000bn ($76bn) this year.

The family of Mr Chung Ju-yung, the founder, will also cut its shareholding from 60.8 per cent to 39 per cent by 1997.

Hyundai plans to list seven subsidiaries to achieve this goal. They include Hyundai Merchant Marine, Koryo Industrial Development, Hyundai Heavy Industries, Hyundai Housing and Industrial Development, Hyundai Elevator, Hyundai Electronics and Hyundai Petrochemical.

Hyundai has already faced some government financial sanctions, including the denial of state-subsidised loans and offshore borrowing rights, after Mr Chung Ju-yung unsuccessfully stood against President Kim Young-sam in the 1992 election.

Mr Chung Se-yung, the founder's brother, expressed hope that the reorganisation plan would help end government discrimination against Hyundai.

The reorganisation includes the sale of six minor subsidiaries, including Kangwon Bank, the Kefico finance company, and Hyundai Yak, a Korean-Russian aerospace joint venture. Eleven other subsidiaries will be merged with bigger units, including Hyundai Engineering & Construction taking over Hyundai Engineering, and Hyundai Construction Equipment Service.

Hyundai will also give up controlling stakes in 10 subsidiaries, including Hyundai International Merchant Bank, Hyundai Marine & Fire Insurance, Aluminium of Korea, and Keumkang Development Industrial.

Hyundai would have 15 listed and eight unlisted member companies by the end of 1997, against 15 listed and 35 unlisted at present.

Air France may link with rivals in recovery strategy

By John Ridding in Paris and Michael Skapinker in London

Air France, the loss-making state-owned airline, is discussing alliances with international carriers, including American Airlines and Japan Airlines, with the aim of strengthening its position in the US and Asian markets.

Mr Christian Blanc, chairman, also ontlined further steps in his recovery strategy, including a new round of cost cutting measures and the cancellation of options and orders for aircraft from Boeing and Airbus.

American said it had had discussions with different airlines, but confirmed that Air France was one of the carriers it was talking to. Japan Airlines declined to comment.

Officials at Air France said that alliances with international carriers were necessary to curb costs, increase traffic and improved its network of destinations, bnt Mr Blanc played down the prospect of an imminent deal.

"We are in no hurry," he said in an interview with Le Monde. "There is no question thet, in a position of weakness, we will become an appendage of this or that air transport giant."

An agreement between American and Air France would follow tie-ups between other US and European airlines. United Airlines has a code-sharing agreement with Lufthansa of Germany, and British Airways and KLM of the Netherlands have links with USAir and Northwest Airlines respectively.

Mr Blanc said that losses were being reduced as a result of a rescue package implemented over the past year. He estimated a net loss of between FFr3bn ($572m) and FFr3.5bn for the 15 months to the end of March, compared with a loss of FFr8.5bn for 1993. But he added that the company was only a quarter of the way towards achieving the objectives of its three-year recovery plan.

This year, Mr Blanc said, further cost-cutting and productivity measures would be implemented. In particular, the airline is to cancel options and orders for aircraft which have been placed since 1990. The cancellations are thought to affect 17 orders, including 10 from Boeing and seven A340s from the European consortium.

Mr Blanc said the company should be in a position to return to the aircraft market in two years, depending on the success of its recovery strategy. But he claimed that services and schedules would not be affected.

"We will make better use of our fleet," he said. "In September 1995, we will make the same mumber of flights as in September last year with four fewer aircraft."

Air France said it would also continue to reduce staff. More than 2,000 jobs are expected to be cut this year, without involuntary redundancies, reducing the nnmber of employees to about 37,000. The chairman predicted a double-digit decrease in production costs this year and a decline in purchasing costs of about FFr1bn.

Mr Blanc also confirmed plans for Air France to sell its 37.5 per cent stake in Sabena, the Belgian state-owned carrier. "Wa are now in discussions with tha Belgian government. The aim is to buy our stake to sell it to a continental European company," he said. Swissair has said it is eager to take a significant stake in Sabena to improve its access to the EU market.

Lufthansa result, Page 20

Pechiney shake-up strengthens Rodier post

By David Buchan in Paris

Pechiney yesterday announced a management reorganisation, allowing Mr Jean-Pierre Rodier, the new head of the French state-controlled packaging and metals group, to consolidate his power.

Mr Jean-Louis Vinciguerra, who had been groomed for the top job by Mr Rodier's predecessor is qnitting the company.

"There was no place for the two of us in the group," said Mr Vinciguerra yesterday, "and so we agreed that I should leave." Mr Vinciguerra was, after a brief spell at the Rothschild bank, brought back to Pechiney in 1993 by Mr Jean Gandois, then head, and made his number two. He was given responsibility for packaging which accounts for half of the group's annual turnover of over FFr60bn ($11.4bn).

However, when Mr Gandois left to be president of the Patronat amployers federation, the government chose to pass over Mr Vinciguerra in preference for Mr Rodier who also wanted greater control over packaging.

Mr Rodier yesterday reiterated his hope that the government wonld privatise the group before the end of this year. The state controls 56 per cent of the capital and 19 per cent is held by institutional shareholders. The public holds the remaining 25 per cent in the form of non-voting shares.

The management reorganisation inclndes splitting up the packaging business into two international entities, one dealing in beverages to be headed by Mr Gérard Hauser and the other dealing witb food, cosmetics and bealth to be headed by Mr Patrick Kron. The men will report directly to Mr Rodier. The new chief will replace Mr Vinciguerra as chairman and chief executive of American National Can.

Mr François Newey, responsible for finance, and Mr Gilles-Pierre Levy, wbo is to become personnel chief for the group's 60,000 employees, will become members of tbe group's inner executive committee.

Results delay at Usinor

By John Ridding

Usinor Sacilor, the Frencb state-owned steel producer, yesterday said it was pushing back the announcement of its results for last year and a board meeting to set the budget for 1995.

The announcement and the meeting, due today, will now take place on February 8.

Usinor said the delay was required partly to finalise certain aspects of the budget for this year in the context of the vigorous recovery in the steel sector. Steel prices have risen steadily over recent months, affecting the outlook for companies in the sector.

Industry observers said that the budget for 1995 was of particular importance for Usinor because the group is pressing its case for privatisation.

Bausch & Lomb in red and faces SEC probe

By Richard Tomkins in New York

Shares in Bausch & Lomb, the US maker of contact lenses and personal care products, fell $1⅝ to $33 yesterday after the company announced fourth-quarter losses of $62.9m and said it faced an investigation by the Securities and Exchange Commission into its accounting practices.

In the comparable period it had net earnings of $20.9m. Full-year net income fell to $13.5m from $156.5m.

Bausch & Lomb said the SEC was apparently inquiring into accounting practices that arose from unsuccessful changes the company made to its contact lens distribution channels in 1993.

Bausch said it believed its accounting practices were appropriate.

The unsuccessful marketing changes were a big factor in tbe fourth-quarter downturn, but the company also took a $75m pre-tax charge after reassessing the value of the goodwill attaching to its oral care business.

In addition, it said it was selling its binocular and telescope business.

● Greyhound, the troubled US bus operator, said it faced an SEC inquiry into possible security law violations.

Investigators are likely to ask whetber the company made adequate public disclosures about problems arising from the passenger reservation system the company launcbed in 1993, and wbether there was insider dealing.

Losses trimmed at KOP and Unitas

By Christopher Brown-Humes in Stockholm

Finland's two leading private-sector banks, Kansallis-Osake-Pankki and Unitas, made losses for the fourth year running in 1994 as they struggled to recover from the loan loss crisis caused by the country's deep recession at the start of the decade.

KOP posted a FM1.83bn ($390m) operating deficit; failing to meet its target of halving its 1993 loss of FM2.66bn. Unitas made a more solid recovery as it cut losses to FM1.27bn from FM2.56bn.

Analysts said Unitas had a higher quality customer base than its rival and it had read interest rate developments better. They suggested Unitas would make a profit in 1995, but were more cautious about prospects for KOP.

Market worries about the health of the Finnish banking sector forced both banks to announce their preliminary figures earlier than planned.

KOP blamed its problems on the financial difficulties of the construction group Puolimatka (which cost it FM800m), bond trading losses, lower-than-expected earnings from foreign exchange dealing, and a weak stock market at the end of the year which delayed share sales. It noted that credit losses at FM2.77bn were still FM1bn less than in 1993.

The group said Finnish banks were still operating in a difficult environment, hampered by low credit demand, rising interest rates and excess capacity. The bank yesterday stepped up its cost-cutting programme, saying it planned to shed 1,500 jobs – 16 per cent of its workforce – over the next two years.

The performance of Unitas, the holding company for the Union Bank of Finland, was helped by an 11 per cent drop in credit losses to FM2.68bn, although a FM500m provision to cover possible future credit losses held back a stronger recovery.

Analysts said the bank was trying to start 1995 with a relatively clean sheet and predicted it could make a profit of up to FM500m this year. They contrasted a 19 per cent jump in the bank's income to FM5.41bn with KOP, where income fell 5 per cent to FM4.65bn. Non-performing loans at Unitas fell more sharply – to FM3.63bn from FM6.84bn – compared with KOP, where they fell to FM5.0bn from FM7.5bn.

KOP aims to return to profit in 1995, helped by a strong recovery in the Finnish economy, lower credit losses, cost-cutting and capital gains. However, Mr Jukka Leppä, banking analyst at Arctos Securities, waa sceptical about KOP's chances of reaching the black.

Putting down roots in Pyongyang

N Korea is latest link in ING's foreign network, says Ronald van de Krol

Emerging markets are more than just a passing fad for Internationale Nederlanden Groep, the Dutch banking and insurance group which yesterday announced plans to become the first foreign bank to open in North Korea.

In barely 20 years as an international bank, ING Group's banking subsidiary has built a foreign network in countries which were once shunned by bigger, more established competitors but which have become popular hunting grounds for the international banking community.

ING Bank's planned operation in North Korea – a joint venture with a domestic partner, the Korean Foreign Insurance Company – will become part of a longer chain of 77 offices from Budapest to Buenos Aires and Moscow to Manila.

In the past year, it bas received permission to open offices in Vladivostok, Hanoi, Shanghai and Havana. The North Korean office, which will be 70 per cent owned by ING Bank, is expected to open in the second quarter of this year.

ING's presence in emerging markets predates the euphoria that surrounded sucb countries in the early 1990s and is calculated to survive the reassessment that has set in after Mexico's financial crisis.

However, North Korea will be a supreme test for a bank which cut its teeth in Latin America after the debt crisis of the early 1980s, which later swung its focus to the fast-growing economies of the Asian "tigers" and which, more recently, expanded rapidly in eastern Europe.

After decades of isolation, North Korea is perhaps best described as a pre-emerging market, exhibiting long-term potential but none of the dynamism created by inward foreign investment and rising exports that have accompanied South Korea and the other economic success stories of Asia.

Direct telephone traffic between ING's North Korean and South Korean offices will not be possible, and fax messages will have to be sent back and forth via Tokyo.

In spite of the limitations, ING believes multinationals are looking at North Korea as a possible investment site, and the first flow of large foreign investment could begin in the second half of 1995.

"The pace of growth will be slower than, say, Hungary if you're talking about eastern Europe," says Mr Hans Yntema, general manager of ING Bank International. "But there is clear interest in North Korea among multinationals."

The pace of growth could accelerate if South Korea's industrial groups receive government permission to invest in the north.

ING Bank has seen extensive changes since the late 1970s, when its foreign operations were limited to a small representative office in New York and a minority stake in a consortium bank in Hong Kong.

The bank, then known as Nederlandsche Middenstandsbank (NMB), sprang into prominence in the early 1980s as a trader in tha debt of lesser developed countries (LDC), mainly in Latin America, helping to create wider, secondary markets for LDC asset trading and debt conversion.

It recently bolstered its commitment to the primary capital markets by setting up ING (UK) Capital in London, which aims to capture a greater percentage of new bond and share issues for companies based in emerging markets, particularly eastern Europe.

Another recent development is ING Group's pursuit of "bancassurance", or the combining of banking and insurance in one financial services company.

Tha group, which sprang from two domestic mergers that brought together NMB Bank and Nationale-Nederlanden, the Netherlands' largest insurance group, has implemented a bancassurance strategy in the Netherlands, and is extending the policy to selected markets abroad, inclnding some emerging markets.

ING Group, with assets of more than $175bn, is Europe's foremost proponent of the idea that banking products can be sold through traditional insurance outlets, and vice-versa. Its banking operations make it the eighth largest bank in Europe, while it ranks as Europe's fifth biggest insurer.

So far, ING Group has begun to pursue bancassurance in mature financial markets such as Italy, Greece and Australia, but also in Hungary, the Czech Republic and Poland.

In Poland, for example, it has been granted a licence to sell life insurance. It plans to find customers not only through a national network of insurance agents, but also through the offices and clients of Bank Slaski, a Polish bank in which it holds a 26 per cent stake.

Although ING's partner in North Korea is an insurance company with a monopoly on domestic non-life insurance, the country is a long way from becoming a prime candidate for the Dutch group's bancassurance philosophy. This is because ING's foreign insurance activities tend to focus on life insurance.

"It will take a while for life insurance to get off the ground in North Korea," Mr Yntema said.

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

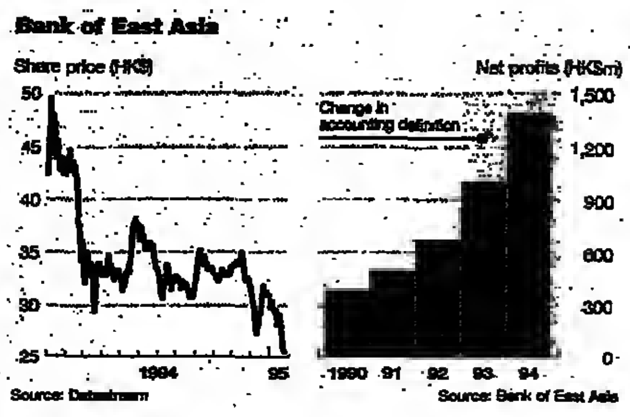
Bank of East Asia disappoints

By Simon Holberton in Hong Kong

Bank of East Asia, Hong Kong's third largest listed bank, yesterday disappointed the colony's stock market in spite of reporting a 38.6 per cent rise in net profit to HK$1.54bn (US$199m) from HK$1.1bn a year ago.

Earnings were lifted by a HK$423m exceptional item which, if stripped out, meant that earnings from banking were up only 7 per cent, analysts said. Mrs Carmel Wellso, analyst at Baring Securities, said the results were "dismal" and compared unfavourably with expectations of a 17 per cent to 23 per cent growth in earnings.

Disappointment with tha bank's results also stemmed from disclosure of its hitherto secret inner reserves. This showed that the bank had only transferred 10 per cent (HK$106.3m) of its 1993 profits to inner reserves. Analysts said they had been encouraged by the bank to think it had transferred 20 per cent to 25 per cent of profits to reserves.



The disappointment of analysts was shared by investors. In a day when the Hang Seng index of leading stocks rose 3 per cent, Bank of East Asia's share price dipped 25 cents to close at HK$25.50.

Mr David Li, deputy chairman, said growth in Hong Kong's banking sector was subdued last year due to the slowdown in mortgage lending and an erosion of net interest margins.

He said net interest continued to be the main source of bank earnings but this year banks in Hong Kong will have to rely more upon non-interest income. Improvement in the supervisory framework should further reduce operating risk.

Tha bank's net interest income rose 16 per cent to HK$1.88bn, while other operating income fell 1.3 per cent to HK$672.9m. The charge for bad and doubtful debts rose 20 per cent to HK$149.8m.

The large exceptional item arose from the sale of properties associated with the bank's redevelopment of a site in Kennedy Town, in west Hong Kong.

Mr Li said a number of residential units in the development were sold last year and shops on the ground floor had been fully let.

During last year the bank raised HK$2.2bn in bonds and floating rate negotiable certificates of deposit.

A final dividend of 6.25 cents a share was declared which, with the interim payout of 2.75 cents, makes 9 cents for the year – up 25 per cent on last year. Directors also declared a 1-for-5 bonus issue.

Strife in a cathedral of capitalism

Andrew Jack examines an embarrassing dispute at the Matif

The gleaming new buildings of the Matif, the French financial futures exchange, in central Paris and one of the high cathedrals of capitalism, seems an unlikely venue for industrial action – particularly by some of its highest rewarded members.

Yet about half of the 70 "locals" or independent proprietary traders on the exchange – including all dealing in the "notional" or 10-year French bonds futures contract – have stayed away from work all week in a protest abont changes to fees and broader policy issues.

Matif introdnced a special membership category of locals – or *negotiateurs indioiduels de parquet* – in 1988, to remove the conflicts of interest when those in member firms traded on their own behalf rather than for their firm or for clients.

Mr André Bennatan, bead of the association representing the traders, stresses that the action – which was decided last Friday and is scheduled to last all week – is not a strike so much as a consumer boycott. "We are not employees of the Matif but their customers. They are our suppliers," he says.

The administrators of Matif, normally eager to turn out press releases, have unsurprisingly tried to maintain a rather lower profile during the dispute. While the locals will only affect themselves rather than other clients, the dispute looks rather embarrassing.

In addition, Mr Bennatan stresses that locals bave an important part to play in maintaining the liquidity of the markets. "We probably provide 20 per cent of the volume, and our activity indnces another 20 per cent on the notional," he says. At no time is this more important than at present, with trading volumes at relatively low levels.

Mr Gilbert Durieux, Matif's managing director, says that it is very difficult to assess the impact of the locals' boycott, but argues that early in the week volumes might have been down by 10 to 15 per cent on the notional contract because of the absence of the additional traders.

He says the dispute is primarily about new fees being introduced in an effort to raise the charges levied on locals to commercial levels. At present they pay an average of FFr2.85 per trade; under Matif's revised proposals they would pay about FFr3.40.

The actual price depends on the volume each local trades, with those generating more paying less for each transaction.

"We discovered that we were selling our services at below cost," says Mr Durieux. "That was understandable when we started offering locals membership to give them an incentive. But now we want to be in a position where they pay a price corresponding to our costs – plus a margin, of course."

However, Mr Bennatan argues that the proposed fees are unjustly higb. He is equally keen to stress that locals are concerned about other issues, including tbe competitiveness of Matif and especially its notional contract in comparison with the bund – or German government bond – futures contract traded on Liffe, its London rival, where volumes are rising fast.

He says locals at Liffe and in Chicago receive far more preferential treatment, with discounts on their fees as a mark of their importance in maintaining liquidity. "If you have to start thinking about fees you don't do your job any more," he says.

Mr Bennetan also stresses that the dispute is wider than about costs. He would like locals to have a voice in strategy on the exchange, whereas now they have no voting rights or representation on the governing council. He wants them to be able to act as floor brokers, and operate in "pools" or teams to share knowledge and offering training.

"I think Matif has the wrong attitude towards locals," be says. "They only look at the profits and not the losses. But we are very bopeful they are going to change their mind. I think we will have an agreement next week."

Indian Oil to make first public offering

By Shiraz Sidhva in New Delhi

Indian Oil Corporation, India's largest state-owned oil company, is planning its first public offering of new shares some time after March 1995.

The offering of 37m shares – 10 per cent of its equity capital – will make Indian Oil the first pubbic sector enterprise in the country to offer shares to the public.

The company said it had received government approval in principle to for the offering. "We are looking at all the options before working ont details of the issue," the spokesman said. "We have to see what the market can take before we decide whether to go in for a global depositary receipt [GDR] issue, an ordinary public issue or shares with warrants."

Indian Oil had turnover of Rs230bn ($7.33bn) last year, expected to increase to Rs261bn in 1994-95. The company made profits of Rs7.72bn in 1993-94, expected to increase to Rs9.29bn this year. It had an equity capital base of Rs3.69bn in September 1994, whicb was increased to Rs3.9bn in January 1995.

The company says shares are likely to be priced at Rs712 each. The figure, which may be revised due to market conditions, is based on the average bid price received by the government when it anctioned 18.5m shares of the company in September 1994. Shares in that anction were bought by other public sector companies and large institutions.

Indian Oil company needs to raise additional capital to fund new refineries and pipelines and to expand existing projects.

The government of India owned 99.9 per cent of the profit-making corporation before September 1994, with the state government of Gujarat holding the balance.

Two blocks of 18.5m shares each have since been anctioned by the government, in October last, and in January this year. The results of the January anction have yet to be released.

Nestlé posts sales slip but sees higher annual profits

By Ian Rodger in Zurich

Nestlé, the world's largest foods group, has reported a 1.2 per cent decline in sales to SFr56.8bn ($44.68bn) for 1994 and weaker volume in the fourth quarter.

However, the group said that its net 1994 profit would be above the SFr2.89bn realised in 1993, and it forecast stronger volume, sales and profits in the current year.

Nestlé said the decline in sales was due to a change in accounting practice in byperinflationary Brazil. Excluding that change, its sales would have been flat at SFr57.5bn.

It also said that the decline of most currencies against the Swiss franc last year depressed the sales figure by about 6.9 per cent.

However, it acknowledged that sales volume, excluding the impact of acquisitions and divestments, grew only 2.3 per cent, well below tbe group's target of 4 per cent annual growth.

This growtb rate was also worse than the 2.8 per cent already reported for the first 10 months of the year.

The group pointed out that volume had been hurt by the progressive elimination of canned goods sales in the UK and the reduction of the year-end trade loading process in the US.

Sales volume grew strongly in Latin America and Asia, and only slightly in North America and Europe.

Nestlé said its forecasts of higher sales and profits in the current year were based on the hypothesis that currency fluctuations would influence results to a much lesser extent than in 1994.

● Sulzer Tecbnology, the Swiss engineering and medical equipment group, said its 1994 order intake was flat at SFr6.1bn.

Asean tie for Singapore Telecom

By Kieran Cooke in Kuala Lumpur

Singapore Telecom (ST), the island republic's partially privatised telecommunications and posts utility, is linking up with three of south-east Asia's biggest telecom companies to co-ordinate regional services to multinational companies.

Telekom Malaysia, PT Indosat of Indonesia and the Philippine Long Distance Telephone company, along with ST, will form a company which will provide so-called seamless telecommunications services to multinationals operating in the Asean region.

"Customers operating from any part of the world will be able to enjoy a 'one stop shop' facility by way of a single point of contact to order, install and maintain services for their telecommunications needs in the Asean region," said an ST spokesman.

"Most [multinationals] seek a borderless but comprehensive range of services that can transcend all boundary considerations," he said. "The Asean collaboration allows us to meet this growing customer expectation with greater confidence."

ST said the Communication Authority of Thailand and the Brunei Telekom company may join the alliance in the near future.

The beadquarters of tbe new company will be in Kuala Lumpur.

● ST says it will invest US$94m in a UK-based company which aims to provide a global mobile phone service via a network of 12 satellites. I-CO Global Communications is affiliated to Inmarsat, the 76-member country co-operative which operates worldwide satellite communications systems.

I-CO aims to provide mobile voice, facsimile, data and paging services on a worldwide basis beginning in 1999. Inmarsat says it has so far received investment commitments of $1.4bn for the project out of a total estimated cost of $2.6bn.

Quake may delay JR West listing

Japan's transport ministry may need to review its plans to list West Japan Railway (JR West) when the damage the company suffered from this month's earthquake becomes clearer, Reuter reports from Tokyo.

JR West operates a large railway network in the western part of Honshu island, including Osaka and Kobe where the earthquake hit hardest. It had said it planned to list its shares in the year to March 31 1996.

Yesterday a ministry spokesman said: "When all damage and the timing of resumption of full operations in the damaged area become clear, we may need to review share listing plans for JR West."

Last August, JR West applied for listing on six of Japan's eight stock exchanges, including the Tokyo Stock Exchange and the Osaka Securities Exchange. However, last November the transport ministry abandoned its original plan to list JR West shares in 1994-95 because of the long slump in the Tokyo stock market, and rescheduled the listing to early 1995-96.

JR West needs to post a parent current profit of at least Y40bn ($400m) in 1994-95 to warrant the listing. Its November forecast projects current profit of Y52bn in 1994-95 after a Y54.7bn profit in 1993-94.

The ministry had not yet decided what to do with Central Japan Railway (JR Central), another target for eventual privatisation, the official said.

Shares in East Japan Railway (JR East), another company created when the heavily-indebted Japan National Railways was split into seven companies in April 1987, were listed in October 1993. The Nikkei Average fell sharply just after the listing.

Unisys in red after job-cut charge

By Louise Kehoe in San Francisco

Unisys, the US computer group, has reported a net loss for its fourth quarter, after charges to cut more than 4,000 jobs. Earnings for tha year were disappointing, it said.

Net loss for the review period was $52.3m, or 48 cents a share, after a pre-tax restructuring charge of $186.2m. Unisys said the previously-announced job cnts would create annual savings of more than $200m. Exclnding the charge, net income for the quarter was $80.8m. In the same period last year, Unisys reportsd net earnings of $117.7m, or 46 cents a share, fully diluted.

Revenues for the quarter rose slightly, to $2.12bn from $2.10bn in the same period last year. This was the first quarterly revenue increase in two years, although currency exchange rates helped to produce the rise.

Unisys said earnings in the fourth quarter, before the special charge, were lower than a year earlier, due principally to a decline in defence and other government business.

Fourth-quarter earnings were helped by adjustments to employee benefit-related expenses and the reversal of pravionsly-accrued contingency payments. A reduction in research and development spending also helped earnings.

For the full year, the company reported net income of $100.5m, or a net loss per share, fully-diluted, of 11 cents after payment of dividends on preferred shares. Excluding the fourth-quarter charge and an extraordinary charge of $7.7m in the first quarter, net income for the year was 71 cents a share.

For 1993, net income was $565.4m, or $2.69 a share, after extraordinary items totalling $230.2m. Before the gains, net income was $1.48 a share.

Revenue was $7.40bn in 1994, down from $7.74bn in 1993.

Weak demand batters Boeing profits

By Richard Tomkins in New York

Boeing, the US aircraft maker, yesterday reported a near-halving of net income, to $157m from $304m, in its fourth quarter. It blamed continned global weakness in demand for new aircraft.

It also predicted a further downturn in deliveries from 270 aircraft in 1994 to 230 in the current year, warning that the generally improving performance of ths world's airline industry would have to be sustained before there would be substantial new order activity.

Fourth-quarter sales fell to $5.1bn from $5.7bn, and earnings per share, to 46 cents from 89 cents. For the full year, revenues were down to $21.9bn from $25.4bn, net income fell to $856m from $1.2bn, and earnings per share fell to $2.51 from $3.66.

Boeing blamed the year's lower earnings on a combination of fewer commercial aircraft deliveries, more research and development spending, increased debt costs and lower corporate investment incoms. On the positive side, defence and space earnings rose and the effective tax rate fell.

Mr Frank Shrontz, chairman and chief executive, said the company was investing in new products and manufacturing methods in anticipation of the next growth cycle in the jet transport market. This would constrain earnings and cash resources in the short term, but in the long term it should bring substantial benefits.

Excluding research and development spending, profit margins on commercial aircraft were steady last year because Boeing compensated for lower orders through efficiency savings. However, the company said margins would fall this year because of the expected decline in sales and the production start-up for the new 777 jet.

Defence and space systems had continued to perform well, Mr Shrontz said.

Income at 3M climbs 16% in term

By Tony Jackson

Minnesota Mining and Manufacturing (3M), the diversified US manufacturer, produced record sales and earnings for the fourth quarter and full year, with quarterly net income up 16 per cent at $332m. Mr L.D. DeSimone, chairman, said: "We expect good sales and earnings growth to continue in 1995."

Through the year, the company grew faster than the economies it served, Mr DeSimone said. Volume in the US was np 7 per cent, and internationally hy 10 per cent, with particular strength in Asia and Latin America. However, prices fell 2 per cent worldwide, both in the year and in the quarter.

Full-year earnings were $1.3bn, or $3.13 a share, an increase of 5 per cent. This came after a pre-tax charge of $35m for litigation over breast implants. Sales for the year were up 8 per cent at $15.1bn.

In line with 3M's recent tradition, there was strong emphasis on the introduction of new products. In 1994, 30 per cent of sales came from products introduced in the last four years. Sales per employee rose 8 per cent.

The shares fell $¼ to $51⅞ in early trading.

Net at DuPont ahead by 65%

By Tony Jackson in New York

DuPont, the US chemicals group, produced a 96 per cent rise in underlying earnings in the fourth quarter, to $644m or 95 cents a share. Net earnings for the year were $2.7bn, or $4.07, an underlying rise of 65 per cent.

Mr Edgar Woolard, chairman, said 1994 had been a "terrific" year for the company. "Looking ahead in 1995, we expect that economic growth in the United States will slow only slightly, and will remain strong in other regions," he said.

Excluding the Conoco oil subsidiary, sales for the year were $22.5bn, an underlying increase of 8 per cent. Though selling prices began rising during the year, they were 1 per cent lower for the year as a whole. From a group volume rise of 9 per cent, the strongest performance came in Europe, with 14 per cent.

Earnings in the chemicals division were up 39 per cent in the year to $282m, with volume up 10 per cent. Fibres earnings rose 59 per cent to $676m, with volume up 6 per cent before acquisitions. Polymers earnings were up 108 per cent at $706m, with volume up 13 per cent.

Diversified bnsinesses – agrochemicals, pharmaceuticals and coal – earned 184 per cent more at $676m. Earnings from Conoco were down 5 per cent at $706m, with upstream earnings up 7 per cent at $471m and downstream earnings down 22 per cent at $235m.

● Sterling Chemicals of Texas showed the full effects of rising volume and prices in hase chemicals with an 84 per cent jump in sales for its first quarter to end-December, to $241m. Sterling makes intermediate commodity chemicals such as styrene and acetic acid.

Net earnings for the quarter were $22.3m, compared with $19.1m for the whole of the previous year.

Surge in sales at Union Carbide

By Tony Jackson

A sharp jump in sales helped Union Carbide, the US chemicals group, to fourth-quarter earnings of $154m, or 93 cents a share, an increase before special items of 260 per cent. Full-year earnings were $379m, compared with $155m before accounting changes the year before.

Chairman Mr Robert Kennedy attribnted the fourth-quarter increase to "substantial" price increases for polyethylene and ethylene glycol, strong seasonal volume, and cost control. In the year, the company completed a four-year $575m cost-reduction programme.

Mr Kennedy said be was confident the company could prodnce "highly competitive" results this year, even in an economy growing more slowly than last year.

Sales for the quarter were up 22 per cent at $1.31bn. Full-year sales, partly reduced by disposals, were up only 5 per cent at $3.7bn.

Mr Kennedy said: "Our strategy of investing in businesses with significant competitive advantages is clearly working. This year we'll work on controlling costs and accelerating profitable growth."

Union Carbide's shares fell $¾ to $28¾ in early trading.

Information unit helps Dow Jones to record

By Maggie Urry in New York

Dow Jones, the US media gronp, yesterday reported record earnings for 1994, just topping the previous peak in 1987, when non-recurring items are excluded.

Net income was $181m before a $3m one-off charge, with earnings per share at $1.80 after the charge. In 1993, net income was $148m, or $1.48 a share.

The group, which publishes the Wall Street Journal and owns the Dow Jones/Telerate screen information service, lifted fourth-qnarter net income by 23.5 per cent to $58.2m, giving earnings per share of 60 cents compared with 47 cents in the final period of 1993.

Mr Peter Kann, chairman and chief executive, said that through its expansion in Telerate, television networks and multimedia, Dow Jones was "aggressivsly expanding its franchise as the premier information provider to the global business community".

The information services division, which includes Telerate, was the main force behind the rise in the group's 1994 operating income. The division lifted annual operating profits by 26.4 per cent to $199m, on sales up 13.3 per cent to $977m. In the final quarter, the gain was 19 per cent to $51.4m.

However, the business publications area, including the Wall Street Journal, suffered a slight drop in operating profits, to $142m from $144m. The fall came in the final quarter, whsn profits declined from $50.6m to $45.3m. The group blamed costs related to expanding television operations.

The third division, community newspapers, raised annual operating profits by 11 per cent to $36.2m.

Bethlehem Steel stages recovery to $80.5m

By Richard Waters

Bethlehem Steel, the second-biggest US steelmaker, returned to profit last year for the first time since 1989, though its recovery was hampered by disruptions to prodnction caused by bad weather early in the year and npgrades to some of its facilities.

Ths company's revamped operations, which will come on-stream this year, face a weaker US steel market.

The group reported fourth-quarter net income of $31.3m, or 19 cents a share, and $80.5m or 35 cents for 1994 as a whole. Annual sales climbed 11 per cent on higher volumes and prices, to $4.82bn.

The 1993 figures were hit by a $350m restructuring charge taken in the final quarter. This pushed the company into a fourth-quarter loss of $242m, or $2.78 a share, and a loss of $266m, or $3.37 for 1993.

C-Tec to buy Mexican stake

C-Tec Corporation, a US cable television operator, has taken a 40 per cent interest in Megacable, Mexico's second-largest cable TV operator. C-Tec said it would pay $84m, subject to adjustment, for its stake in the company, writes Ted Bardacke in Mexico City.

The transaction is the largest foreign investment in cable TV in Mexico and the first big case of direct foreign investment in the country since the devaluation of the peso last month, C-Tec said.

The price originally negotiated was $120m, but the devaluation drove this down. However, should the peso revalue C-Tec's acquisition cost may rise. Megacable has more than 170,000 subscribers along Mexico's Pacific coast, from Hermosillo to Guadalajara.

Georgia-Pacific back in black with $169m

By Maggie Urry

A significant recovery in Georgia-Pacific's pulp and paper operations, and the continued strength of its building products activities, resulted in record fourth-quarter earnings.

Net income was $169m, compared with a loss of $36m, and earnings per share were $1.89, a turnround from losses of 41 cents in the fourth quarter of 1993.

As a result, the group as a whole made a full-year net profit of $310m, or $3.48 a share, compared with net losses in 1993 of $34m, or 39 cents.

Chairman and chief executive Mr Pete Correll said: "The speed and magnitude of the pulp and paper turnround is unprecedented, and Georgia-Pacific is well positioned to take full advantage of the recovery."

The pulp and paper division, which moved into profit in the third quarter, made an operating profit of $181m in the final quarter, compared with a loss of $95m. This allowed it to record a profit for the year of $171m, against losses of $187m.

Meanwhile, the building products side, which has nearly doubled operating profits in the last five years, turned in fourth-quarter operating profits of $262m, up from $252m, and for the year showed a rise to $989m from $973m.

● James River, the paper and packaging group, yesterday reported a fourth-quarter loss of 21 cents a share, compared with 16 cents in the same period of 1993. After non-recurring charges covering redundancies and asset write-offs, the loss was 41 cents.

The group blamed "dramatic" raw material cost increases in its food and consumer packaging division.

Profits were also hit by a sharp rise in expenses and interest charges, leaving the net loss for the year at $13m, or 72 cents a share, compared with a loss of $346,000, or 40 cents, in 1993.

Strong markets lift US metals producer

By Laurie Morse in Chicago

Cyprus Amax Minerals, a leading coal and copper producer, reported fourth-quarter net incoms of $67m, or 68 cents a share, compared with an $8m, or a 14 cents loss in the fourth quarter of 1993. Revennes in the period rose to $732m from $541m in 1993.

A strong world market for molybdenum, a material used in making metal alloys, helped boost results for the quarter and for the year, as did rising copper prices. Cyprus acquired Amax halfway through the fourth quarter of 1993, while 1994 results inclnde a full quarter of its operations.

For the year, excluding special items, Cyprus Amax earned $162m, or $1.55 a share, compared with 1998's $50m or 90 cents before non-recurring items. Revenues for the year were $2.8bn, up from 1993's $1.8bn.

The jump in 1994 earnings refects the inclusion of Amax's operations, plus an average increase in copper income of 15 cents per pound, and a $38m contrihntion from molybdenum operations. The company's copper production reached 648m lbs for the year, up from 632m lbs last year.

The prodnction gain came as the company added production in mines in Chile and Peru. With more capacity coming on line, it projected copper ontput would reach 680m lbs next year.

"Our bnsiness is well-positioned to benefit from the strong US economy, increasing consumption in Europe and Japan, and continned strength in the rest of the Asian market," said Mr Milton Ward, chairman.

Patent claim dismissed by Biogen

By Daniel Green

Biogen, the Massachusetts hiotechnology company, yesterday dismissed claims by Schering, the German drugs company, that its main prodnct infringed Schering's patents.

"The validity, enforceability and scope of [Schering's] claims are questionable," said Mr Jim Vincent, Biogen chairman and chief executive.

In early trading in New York, Biogen shares were up $1.03 at $36, still below their level before the Schering announcement. The shares had fallen hy more than 16 per cent on January 11 when Schering announced the new patents on beta-interferon, a multiple sclerosis drug.

Biogen and Schering have slightly different versions of the drug. Schering's is approved for sale, while Biogen's is likely to be submitted for approval to regulatory agencies in Europe and the US in mid-1995, said Mr Vincent.

Mr Stewart Adkins, analyst with Lehman Brothers in London, said he had regarded Schering's patents as "not hlocking, but as bargaining chips" with which to negotiate access to the European markets, where Biogen has strong patent protection.

Biogen's statement came with its full-year figures for 1994. The loss for the year was $7.79m, compared with a profit in 1998 of $34.6m when research and development expenses were $79.3m, compared with $91.2m.

NEWS DIGEST

Lufthansa repeats pledge to resume dividend payments

Lufthansa, tha German national airline, carried more passengers and cargo than ever before in 1994 and repeated its promise to resume dividend payments now it has returned to profit, writes Andrew Fisher in Frankfurt.

The company said yesterday that provisional results showed it at least broke even in the fourth quarter after a pre-tax profit of DM325m ($215m) in the first nine months, including DM220m in the third quarter.

In 1993 it suffered a pre-tax loss of DM8m, down from DM310m in 1992. The net loss was DM92m, compared to DM391m.

Nearly 38m passengers flew with Lufthansa and its Condor (charter) and Cityline services last year, a rise of 6 per cent.

Cargo and airmail business was 14 per cent higher at 1.44m tonnes while capacity was 6 per cent higher, measured in tonne-kilometres. The overall load factor increased by 2.1 percentage points to 70.8 per cent.

The airline, in which the government yielded control last year as part of a privatisation share issue, said the load factor for passengers alone was at a record 70 per cent, a rise of 1.8 percentage points.

The total number of flights increased by 7 per cent to 536,687.

Brokers fight BASF's regional delisting

Germany's independent stockbrokers have started to fight BASF's decision to delist its shares from regional stock exchanges by asking the Federal Cartel Office to see if the chemical group'a action breaks competition law, writes Andrew Fisher.

The cartel office said it would look at BASF's decision to withdraw its share quotation from seven regional bourses to see if it was legally discriminatory.

BASF said last December it planned to list its shares only in Frankfurt, which accounts for 74 per cent of German equities dealings.

The group said thet since it was the customer of the stock exchanges, the cartel law's discrimination clause did not apply in the case of share delisting.

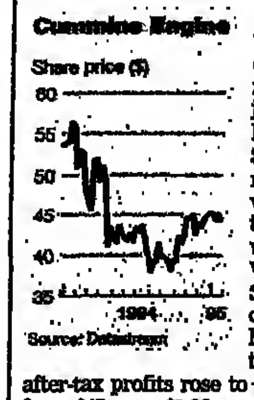
This clause states that companies with a strong market position must not discriminate against small outlets; it is normally applied to products rather than services.

The Hamburg-based German association of stockbrokers complained to the cartel office about BASF's move which the company said was in recognition of Frankfurt's dominant position in share trading.

The delisting affects the exchanges of Düsseldorf (the second biggest in Germany), Munich, Berlin, Hamburg, Stuttgart, Hanover and Bremen.

However, BASF shares are still quoted on these bourses, which have yet to respond to its delisting request.

World vehicle sales rise boosts Cummins Engine



Cummins Engine, the world's biggest maker of diesel engines, reported a 48 per cent jump in net income last year, to a record $253m, on the cyclical rise in commercial vehicle and pick-up truck sales around the world, writes Richard Waters in New York. Sales rose nearly 12 per cent from a year earlier, to $4.74bn. During the final three months, after-tax profits rose to $70m, or $1.68 a share, from $47m, or $1.26, a year ago.

The latest figures were struck after a one-time benefit of $15m from an adjustment to the company's staff disability programme.

This was offset by higher costs, which were caused by exceptional factors and which will return to normal levels for the current quarter, Cummins said.

Earnings per share for 1994 were $6.11, compared with $4.79 in 1993.

Canfor extends C$640m hostile offer for Slocan

Vancouver's Canfor has extended its C$640m (US$451m) hostile takeover offer for Slocan Forest Products to February 6 after failing to win sufficient shareholder support by its original deadline, writes Bernard Simon in Toronto.

Canfor has offered 0.935 of its own shares for each Slocan share, as well as C$18 a share in cash for up to 10 per cent of Slocan's outstanding stock. The offer, which initially closed on Tuesday, is conditional on at least 51 per cent of Slocan's shares being tendered.

"While we did not meet our minimum deposit condition, we are pleased with the number of Slocan shares tendered to our offer," said Mr Peter Bentley, Canfor chairman.

He blamed the shortfall on "confusion" created by British Columbia's forests minister, who expressed concern about the deal'a impact on competition in the forestry industry.

Mr Bentley said that "we continue to be confident that we can satisfy the criteria the minister has defined and that consent will be forthcoming when our application is made."

Kredietbank acquires Flanders savings bank

Kredietbank, Belgium's third largest bank, is acquiring 100 per cent of Spaarkrediet, the Belgian savings bank, as part of its efforts to diversify and expand in its home market, writes Emma Tucker in Brussels.

The bank did not say how much it paid for the Flanders-based bank, but according to Mr Paul Joos, head of Spaarkrediet's legal department, it paid a premium over the net asset value of BFr2.65bn ($85m).

Kredietbank said it had given a guarantee that none of Spaarkrediet's 220 employees would lose their jobs. Spaarkrediet also operates a network of 800 independent agents in the Antwerp, West Flanders and Brabant regions of Flanders.

At the end of last year Spaarkrediet had total deposits of BFr62.2bn, said Kredietbank. Shareholders equity amounted to nearly BFr3bn.

Mr Herman Van Thillo, president of Spaarkrediet's executive committee, is resigning to become chairman of the bank's board.

General Dynamics hit by US defence cutbacks

Net income at General Dynamics, the US defence contractor, fell nearly 10 per cent in the last quarter of 1994 from a year before, to $58m, as sales slipped 7 per cent in the face of US defence cuts, writes Richard Waters. However, at 92 cents a share, compared with $1.01 a year ago, the company still managed to beat most market forecasts.

Mr James Mellor, chairman and chief executive (pictured), said that the company's cash balances were more than $1bn at the year-end, above the target set a year before.

After-tax profits on continuing operations for 1994 were $253m, or $3.51 a share, down from $270m, or $4.27, the year before.

A $15m gain from a disposal during 1994 added an additional 24 cents to reported earnings per share.

Marion Merrell Dow falls as sales improve

Marion Merrell Dow, the US pharmaceuticals group 72 per cent owned by Dow Chemical, saw earnings fall in the final quarter of 1994, in spite of a sales upturn of its two main branded product lines, writes Richard Waters.

The earnings fall reflects greater reliance on lower-margin generic products, which have replaced lost sales in some prescription drugs.

For the quarter, net income fell to $106m, or 38 cents a share, on sales of $806m, compared with earnings of $116m, or 42 cents, on sales of $742m.

The latest sales figures include the acquisitions of Rugby, a generics company bought in late 1993, and Kodama, a Japanese drugs maker acquired early last year.

During the quarter, sales of Cardizem cardiovascular products rose 8 per cent to $364m, while sales of Seldane anti-allergy drugs advanced 20 per cent, to $179m. For the year as a whole, Cardizem sales rose 2 per cent and Seldane sales fell 7 per cent.

Leaving aside acquisitions, 1994 sales as a whole would have been 5 per cent down on a year before.

With the takeovers, net income for 1994 was $438m, or $1.57, against $362m, or $1.30, in 1993 after a 9 per cent rise in sales, to $3.06bn.

Dow Chemicals to sell personal care side

Dow Chemicals said it would sell its personal care business, resulting in a charge of $132m before tax, or $0.40 a share, against fourth quarter earnings due today, writes Tony Jackson.

The US group, which [illegible] to sell the business was pending, made $0.30 in the last year's final quarter.

The operations being sold, based in Minneapolis, consist of hair care products bought from Lamar in 1987, under such brand names as Style, Salon Style and PermaSoft.

Dow said it accounted for "under a third" of sales in its consumer products division, which last year had turnover of $846m.

Pacific Dunlop to take A$40m halfway charge

Pacific Dunlop, the Australian manufacturing company, is making a A$40m (US$31m) charge on earnings for the December half-year to reflect the possible costs of faulty heart pacemaker equipment made by its US-based Telectronics subsidiary, writes Bruce Jacques in Sydney.

The announcement of the charge follows a clinical study of pacemaker patients. The suspect units – leads fitted to pacemakers in certain patients – were withdrawn from the market late last year, but tests on all patients potentially affected are expected to take up to a year.

Mitel advances to C$10.5m in third period

Mitel, the Canadian-based international telecommunications equipment group, said strong semiconductor and auto-dialler business largely offset tighter margins on PBX operations in the UK in the third quarter ended December 30, writes Robert Gibbens in Montreal.

Net profit was C$10.5m (US$7.4m), or 9 cents a share, up from C$7.9m, or 7 cents, a year earlier, on sales of C$148m, up 15 per cent.

Nine-month profit also increased, to C$17.4m, or 14 cents a share, after a C$5m restructuring charge, up from C$15.9m, or 13 cents a share. Sales were C$423m, ahead 21 per cent.

Research spending reached C$31m, up from C$24.6m, partly for PBX systems development. Mitel is setting up a joint venture to make PBX equipment in China as part of its Asia-Pacific expansion.

Vard faces wind down within two years

Vard, the troubled Norwegian cruise group, is to be wound down within the next two years but its Miami-based subsidiary Kloster Cruise will continue to operate normally as work continues to financially strengthen the company, writes Karen Fossli in Oslo.

Vard has debt obligations of $62m and estimated tax liabilities of between $8m-$10m which it will seek to repay as soon as possible over the next two years so that it can be wound down.

However, the aim is to inject $40m into Kloster Cruise by June 30 and to offer a secondary sale of Vard's Kloster Cruise shares to raise another $40m by December 30. The company hopes to list the shares on the New York stock exchange.

Proposed deal underlines trend towards consolidation in European insurance sector

Groupama offers £83m for Lombard

By Ralph Atkins in London and Andrew Jack in Paris

Caisse Centrale des Assurances Mutuelles Agricoles – Groupama – yesterday announced an £83m ($129.5m) agreed cash offer for Lombard Insurance, the UK provincial insurer, in a move highlighting the trend towards consolidation in the European insurance sector.

The French insurance group is offering 233p in cash per share in Lombard, which was floated in May. That represents a premium of 37.1 per cent over Tuesday's closing price. There is a loan note alternative.

Lombard was valued at £57m at the time of its flotation. The shares gained 61p yesterday to close at 231p.

Mr David Young, Lombard's chairman, said the company was "conscious of being a small player in a large, competitive and cyclical industry, and of having limited resources with which to develop and expand our activities". Groupama would give Lombard access to additional resources to exploit future opportunities, he said.

The smaller UK insurance companies are expected to come under increasing pressure in the next few years, as price competition intensifies in many non-life product lines.

Yesterday's announcement follows last year's purchase by Union des Assurances de Paris (UAP), the large French insurance group, of UK-based Provincial Insurance.

Funds managed by Electra Kingsway have agreed to accept the offer in respect of 20 per cent of Lombard's issued share capital. Altogether, irrevocable acceptances so far total 24.4 per cent.

Groupama has a large network of local mutual organisations which comprise the *Assurances Mutuelles Agricoles*, specialising in agricultural insurance.

Since 1990, it has sought to expand into the larger European countries – its main targets are the UK, Spain, Italy and Germany. It already controls Sorema UK, a wholly-owned subsidiary of Sorema Paris, the French reinsurance company.

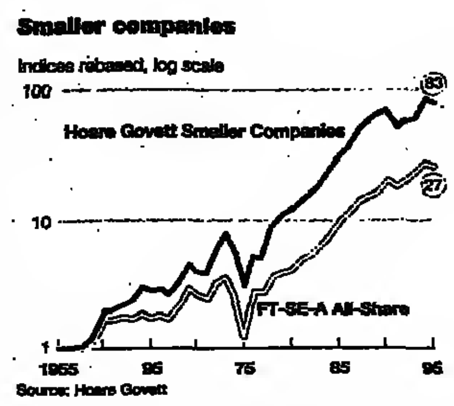
Lombard also announced results for the six months to December 31 which showed pre-tax profits of £7.8m against £5.4m last time.

Gross premiums written rose to £45m from £43.7m in the same period, while earnings per share were 13.8p against a pro forma 10.6p. The board approved an interim dividend of 2.75p.

Lombard has avoided the difficulties incurred by companies in the London insurance markets by concentrating its commercial lines business on small and medium-sized business clients. But it faces stiff competition in the private car and household businesses, and has sought to exploit niches such as motorcycles.

LEX COMMENT

UK smaller companies



The perceived wisdom that small companies should outperform in an economic recovery was borne out again in 1994. Total returns from the Hoare Govett Smaller Companies Index, excluding investment trusts, were a negative 3 per cent, compared with a negative 6 per cent from the FT-SE-A All-Share Index. But the 3 percentage point outperformance represents small compensation for the added risk of investing in small, less actively traded companies. In 1993, the return on small companies was 16 percentage points greater than the broader index. In addition, the risks of small companies are underlined by the 11 corporate failures within the HGSC index last year.

Nevertheless, the outlook for 1995 appears positive. About 40 per cent of the HGSC constituents are in general manufacturing. As continental Europe pulls out of recession, export growth should strengthen their performance. The second largest sub-sector, property, fell 21 per cent last year but should improve as the rental cycle turns. Also the number of corporate collapses should decline.

The average p/e ratio for the HGSC is 16, a small premium to the All-Share's average of 15. But profits growth should outstrip the broader market. The minnows suffered twice as many profit downgrades as upgrades during December. This was reflected in the under-performance of the HGSC last month. With higher operational gearing than the broader market, there is scope for recovery.

Thinking small can bring big rewards

Philip Coggan discusses the possible benefits of investing in smaller companies

The small company effect is one which stock market watchers file in the "strange but true" category. Over a long period, shares in smaller companies outperform those of larger groups, whether they are in the UK, the US or Japan.

Odder still, the smaller the company, the better the return. The smallest 200 UK companies have returned an astonishing 34 per cent per annum compound (before transaction costs) over the past 40 years.

Some analysts can find a rationale. They argue that the growth prospects of smaller companies are much greater than those of their larger brethren, because it is easier to double the turnover of a £20m company than one with £2bn. "Elephants can't gallop", as the saying goes.

Furthermore, small companies ara less well researched than those in the FT-SE 100 index, which have hordes of analysts poring over their balance sheets. There should be more scope to find a bargain among companies which are ignored by the City.

In the UK, empirical proof of the small company effect was first provided in 1987, when brokers Hoare Govett, together with Professors Paul Marsh and Elroy Dimson from the London Business School, launched a smaller companies Index. By backdating the data, the academics were able to show that a portfolio of smaller companies had outperformed the FT-SE-A All-Share Index since 1955.

But one of history's little ironies then took effect. Once a market anomaly has been noticed and measured, it seems to cease to be true. Before 1987, there had been only one occasion when the shares of small companies had lagged the general market for two consecutive years; but in the four years from 1989-92, dominated by recession and high interest rates, they underperformed.

Britain's departure from the Exchange Rate Mechanism seemed to mark a turning point. In 1993, the Hoare Govett Smaller Companies Index (HGSC), which covers just under 1,400 companies with capitalisations of less than £246m, produced a total return of 44 per cent, against the All-Share's 28.4 per cent.

But one of history's little ironies then took effect. Once a market anomaly has been noticed and measured, it seems to cease to be true

The latest annual review from Hoare Govett, published yesterday, showed that smaller companies also managed to outperform in 1994. Last year, the total return from the HGSC was -4.1 per cent, while the All-Share generated a loss of 5.8 per cent. However, all the outperformance occurred in the first five weeks; from early February onwards, the smaller companies index lagged behind the general market.

However, the recent recovery has yet to make up for the damage done by the recession. If dividends are excluded, the Hoare Govett index is still below its September 1987 level.

Part of the problem was the enthusiasm for small company stocks generated by fund managers' awareness of the small company effect; in the first nine months of 1987, the HGSC rose by more than 70 per cent.

Just as the demand for small company stocks drove up the price of such illiquid securities in the bull market, so the crash of October 1987 left investors with holdings they did not want. The recession, which particularly hurt small companies with high debts and UK-based customers, added to the damage.

Fears of a repeat may have caused some of the recent problems for smaller company shares. Mr Richard Hickinbotham, smaller companies analyst at S.G. Warburg, says the reason for the decline in the latter half of 1994 was the general view that smaller companies are more cyclical than the blue chips. "The market is beginning to discount a recession at the end of 1996, and downgrades in smaller company profit forecasts have been outweighing upgrades by around two-to-one," he says.

But, should economic growth continue at 1994's rapid pace, small companies could benefit. Mr Alistair Whyte, partner of fund management group Aberforth, points out that small companies are overweight in the manufacturing sector. Just under 40 per cent of the extended HGSC (excluding investment trusts) is in the general industrials sector, compared with less than 20 per cent of the All-Share.

Mr Jonathan Bartlett, manager of M&G's smaller companies fund, draws optimism from the fact that, in the third and fourth quarter of last year, small company dividends started to pick up after two to three years in the doldrums. He estimates that the annual growth of dividends in the third quarter was running at about 6 per cent.

Anyone buying into small companies now is paying a premium. Yesterday morning, shares in the FT-SE Small Cap Index (excluding investment trusts) were trading on a price/earnings ratio of 17.8 and a dividend yield of 3.57 per cent; the All-Share was on a p/e of 16.6 and yield of 4.14 per cent.

But investors can take solace from the long-term record. Despite problems in the last few years, the HGSC has paid a total return of 18.1 per cent a year since 1955, compared with 13.9 per cent for the All-Share. Investors may not be able to explain the small company effect, but while they earn higher returns, they probably will not care.

Danka rises 31% in third quarter

By Peter Pearse

Pre-tax profits at Danka Business Systems, the acquisitive office equipment supplier, grew 31 per cent from £8.81m to £11.5m in its third quarter to December 31. Profits for the nine months rose 47 per cent to £32.6m pre-tax.

Having peaked at 395p in January, the shares of the company, which is quoted in the UK but operates mainly in the US, slid 13p to 366p yesterday.

Operating profits in the quarter rose 38 per cent to £12.8m (£9.25m) on turnover up 39 per cent at £128.7m (£92.5m). Stripping ont acquired businesses which contributed profits of £360,000 on turnover of £17.9m, organic profits expanded 34 per cent to £12.4m on turnover up 20 per cent at £110.8m.

The 12 companies acquired in tha three months should have annualised sales of $60m. They included American Business Equipment, which has annual sales of $16m, bought for $7.6m.

Brands strength helps WH Smith

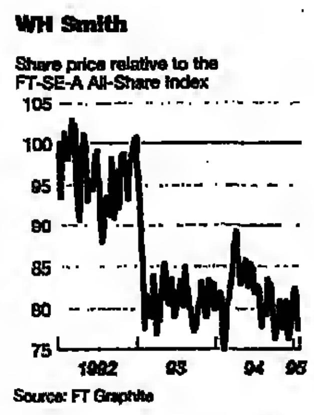
By David Blackwell

A combination of good summer weather, the rail strike and a lack of consumer confidence held the first half rise in profits at WH Smith, the retailer, to 1 per cent.

Pre-tax profits for the 26 weeks to November 26 were £45.2m ($70.5m), compared with £44.7m. Sales were £1.22bn (£1.14bn), and gross margins were flat at 32 per cent.

Sir Malcolm Field, chief executive, said the strength of the group's brands had helped raise sales. However, the build-up to Christmas did not start until December, when UK retail sales rose 7.3 per cent.

Operating profits rose from £47.1m to £51.2m, including Virgin Retail, previously an associate company, now a subsidiary. However, operating profits from retailing in the UK and Europe fell from £32.1m to £29.8m, mainly because of a £1.9m decline in the pension credit and the cost of adding 110,000 sq ft of space. Retail sales edged ahead to £640.2m (£629m), with music and video the strongest contributors.



US retail sales were ahead 8 per cent to £112.5m, but the operating profit eased from £4m to £3.8m. At constant currency rates the profits would have been level.

Like-for-like sales in December were 5.5 per cent up. The group claimed 40 per cent of the market for the best-selling videos Jurassic Park and Snow White that month.

Profits forecasts of about £130m this year and £140m next give a prospective multiple of 13.

Ex-Pru chief had until October 1997 to act

Options time was not so tight

By William Lewis and John Gapper

The 208,750 share options sold in October by Mr Mick Newmarch, former chief executive of Prudential Corporation, which are at the centre of a Stock Exchange investigation, did not have to start being exercised until October 1997.

Company documents show that the options which Mr Newmarch exercised and sold on October 25 had exercise periods dating from October 1993 through to April 2001. On Monday the Prudential announced that Mr Newmarch had resigned and also disclosed that the Stock Exchange was investigating his dealings in Prudential shares. The company said Mr Newmarch had only gone through with the October share option transactions because he would otherwise have forfeited the right to a further grant of options.

In a statement, the company cited a worsening relationship with regulators of UK retail financial services as the reason for Mr Newmarch's resignation.

It said it was concerned that details of the Stock Exchange's probs would have emerged after Mr Newmarch's resignation had been announced. It was only because of this reason that it had mentioned the share dealings in its formal statement.

Mr Newmarch made a profit of £202,775 from exercising three batches of options on October 25. He exercised 84,500 at 199p, 64,250 at 164p and 60,000 at 236p. He then sold all of them into the market at 296p, yielding a profit of £202,775.

The next day Mr Newmarch was awarded a further 140,500 options, exercisable at 296p, from October 1997.

According to the Prudential, he was only granted these replacement options after exercising the three batches the previous day. Mr Newmarch was entitled to hold share options worth up to four times his salary, but no more.

"If he had not exercised those options, he would not have been able to take on the new ones," the company said.

It also emerged yesterday that Mr Newmarch's share dealings had been authorised by Prudential's company secretary and Sir Brian Corby, the chairman.

They based their judgment on the directors' and senior management's dealing code, which was formulated by Mr Michael Lawrence, Prudential's former finance director.

Tony Andrews

Michael Lawrence: formulated management's share dealing code

Mr Lawrence is now chief executive of the Stock Exchange. The exchange said yesterday it was continuing with its inquiry. A result is expected shortly, but the exchange said it could not comment on the likely outcome, or timing.

If it finds thet Mr Newmarch contravened its model rules for directors, it can censure him privately or publicly. Only if he was found guilty of a "wilful or persistent failure" to obey rules would stronger action be taken.

Allied Textile advances to £17m

By Peter Pearse

Contributions from its recent acquisitions enabled Allied Textile Companies, the textile manufacturer and processor, lift pre-tax profits 24 per cent from £13.7m to £17m in the year to September 30.

Operating profits on continuing activities declined to £9.08m (£9.68m). However, the acquisitions – Cleyn & Tinker, a Canadian maker of worsted cloth, Carleton Woolen Mills, a US maker of wool and wool-blend fabrics, and Coating Applications of the UK – contributed £5.65m on turnover of £45.5m, raising the total 52 per cent to £14.7m.

Profits from financial activities were lower at £2.3m (£4m).

Mr John Corrin, chief executive, said the UK had been "difficult". ATC had passed on raw material price rises – and could, for example, benefit from "mixing" bought forward and current price wool.

The group was looking to raise profits via acquisitions, but probably without turning to shareholders. Two each in the UK, continental Europe and the US were currently under review, Mr Corrin said, and purchases could be in rugs or coating activities.

A final dividend of 8.8p (8.3p) lifts the total to 13.6p (12.9p), on earnings per share of 36.3p (33.2p). Pre-tax profits for the current year are forecast at about £19m with earnings per share of about 38p (depending on the tax situation) for a p/e of 13.2.

Sainsbury pays £290m for Texas Homecare

By Tim Burt

J. Sainsbury, Britain's largest grocery chain, yesterday announced a big expansion in do-it-yourself retailing by agreeing to pay Ladbroke Group, the leisure company, £290m ($450m) for its Texas Homecare subsidiary.

Mr David Sainsbury, chairman, said the deal would transform Homebase, the group's DIY chain, into one of the country's largest homa improvement retailers with at least 260 stores and sales of more than £1bn.

The deal, which has to be approved by the Office of Fair Trading, will be accompanied by a £50m investment to integrate Texas into Homebase.

Mr Sainsbury said the cost of the merging the two businesses would be offset by stock savings and rationalisation at Texas.

Of the 238 stores Sainsbury is acquiring, 15 will be sold immediately while the company reviews the potential of a further 40 which Ladbroke had earmarked for closure.

Although job cuts were inevitable, Mr Sainsbury said Texas staff would be offered alternative employment elsewhere in the retail group.

The deal was, however, questioned by some City analysts, who claimed Sainsbury was paying an excessive price for a company expected to make profits of about £8m in 1994 and having margins of just 1.1 per cent.

Rejecting their criticism, Mr Sainsbury said the price would be reduced to £270m by offsetting Texas's unused capital allowances against its own tax liability.

"Therefore for a total consideration if £270m we will be acquiring, after closures, at least 180 well located stores with a turnover in excess of £500m," he said.

Ladbroke, meanwhile, said the disposal would help it to reduce its borrowings sharply and focus on its core hotels, gaming and betting activities.

"The price may appear high but I think Sainsbury will be able to justify it," said Mr Peter George, chief executive of Ladbroke.

The acquisition will push Sainsbury's year end gearing up from 23 per cent to 33 per cent, equivalent to total group borrowings of almost £1.2bn.

The enlarged DIY group will have about 10 per cent of the UK market, and Mr Sainsbury said he was confident profitability at Texas could be improved rapidly.

J Sainsbury reported a brisk trading performance for the past four months, but warned that food price inflation was beginning to accelerate, despite its efforts to cut costs, writes Roderick Oram, Consumer Industries Editor.

Like-for-like sales in its supermarkets, rose by 2.2 per cent in the 16 weeks to January 14.

Shaw's, the US supermarket chain, reported sales up 3.7 per cent overall with a like-for-like rise of 1.5 per cent. A further 300,000 sq ft is expected in the year to March 1996.

Homebase do-it-yourself stores had sale increases of 14.7 per cent and 5.3 per cent respectively, with zero inflation. Savacentre sales were up 4.2 per cent overall.

Priest to petition Tate & Lyle

By Robert Taylor, Employment Editor

Today, for the third successive year, shareholders of Tate & Lyle, the sugars and sweeteners group, will have their annual meeting disrupted by US trade union officials demanding an end to a lock-out of 760 workers by AE Staley, its Illinois subsidiary.

Officials of the United Paperworkers union, holding proxy votes, will be joined at today's meeting in London by a Roman Catholic priest, Fr Martin Mangan. He will present a petition signed by 400 religious leaders calling on Tate & Lyle to "live up to its responsibilities to the wider community".

Mr Pat Mohan, Staley's executive vice-president, said "We still hope to negotiate a mutually acceptable settlement."

In late 1992 Staley decided to introduce sub-contract work and 12-hour rotating shifts in its corn-processing plant. When the workers refused to sign individual contracts they were locked out in June 1993.

NEWS DIGEST

Wardle Storeys $6.5m buy

Wardle Storeys has gained a foothold in the US parachute market via the $6.5m purchase of Para-flite, the New-Jersey based supplier to the US special forces.

The consideration breaks down into $3m to be satisfied in ordinary shares and $2m in cash. Wardle will also assume debt to a maximum of $1.5m.

The US group specialises in military Ram Air technology parachutes similar to the GQ 360 parachute made by Wardle's subsidiary, GQ Parachutes. Through a subsidiary, Para-flite also provides oxygen systems for use in high altitude parachute descents.

Marine Midland

Marine Midland Bank, the US retail banking subsidiary of HSBC Holdings, reported a 32 per cent rise in post-tax profits from $173.2m to $229.3m for 1994.

Mr James Cleave, president and chief executive, said the result was largely because of growth in the bank's core businesses and continued tight control over expenses.

Marley purchase

Marley, the building products group, is taking a 63.6 per cent stake in Gemenc-Plast Műanyagfeldolgozó, a Hungarian maker of pvc building materials, for DM3.1m ($2m) cash.

The company has annual sales of about DM12m ($7.8m) and is said to be consistently profitable.

The stake is being acquired from Borsodchem, Hungary's main plastic raw materials manufacturer, which is retaining the balance.

Celltech

Celltech, the Berkshire biotechnology company, has contracts worth a total of £1.5m ($2.34m) with two large drugs companies – Zeneca of the UK and Japan's Chugai – and Ixsys, a California biotechnology company.

All three deals have been signed by Celltech Biologics, the company's subsidiary that makes specialist biological materials called monoclonal antibodies.

Berisford

Berisford International, the kitchens and joinery group, said it controlled 99.8 per cent of Welbilt Corporation, one of the largest commercial kitchen manufacturers in the US.

The recommended cash tender offer for Welbilt has been closed; as at January 24, it had received acceptances in respect of 5.1m shares (54.2 per cent). This combined with the Welbilt shares that Berisford has under option constitute 99.8 per cent of Welbilt's issued stock (92.6 per cent fully diluted).

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Allied Textile	Yr to Sept 30	168.3	(127.4)	17	(13.7)	36.3	(33.2)	8.8	Apr 3	8.3	13.6	12.9
Colefax & Fowler	6 mths to Oct 31	17.8	(16.1)	0.83	(0.05)	1.98	(0.16)	0.7	Apr 7	0.5	-	1
Dudley Jenkins	6 mths to Oct 31	7.17	(6.4)	0.51	(0.43)	2.85	(2.33)	1.1	Mar 31	1.05	-	3.255
Lombard Insurance	6 mths to Dec 31	45‡	(43.7)	7.85	(5.43)	13.8	(31.5)	2.75	Mar 16	-	-	-
Mosaic Invs	6 mths to Oct 31	9.59	(11.28)	1.69L	(0.42)	5.88L	(0.08)	1*	Apr 3	-	-	nil
Newmark (Louis)	6 mths to Oct 1	13.88	(12.18)	0.63L	(0.84L)	16.7L	(15.2L)	-	-	-	-	-
Smith (WH)	6 mths to Nov 26	1221	(1145)	45.2	(44.7)	11.2	(11.4)	5.25	Apr 3	6	-	15.4

Investment Trusts		NAV (p)		Net Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Dunedin Japan	6 mths to Dec 31	92.3	(83.8)	0.01	(0.05)	0.06L	(0.23)	-	-	-	-	-
First Spanish	6 mths to Nov 30	84.4	(80.2)	0.006L	(0.016)	0.07L	(0.21)	-	-	-	-	0.25
Murray Split Cap	3 mths to Nov 30	189.6	(223.7♥)	0.17	(0.2)	2.13	(2.47)	2.65	Apr 3	2.65	-	10.6

Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. §USM stock. *Special interim. ‡Gross written premium. ♥At August 31.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.20	9.09	9.09
0100	20.33	21.46	24.03
0130	20.33	40.96	43.52
0200	34.33	40.96	43.52
0230	20.33	11.07	13.63
0300	17.37	11.07	13.63
0330	17.37	11.07	13.63
0400	10.85	9.09	9.09
0430	10.55	8.70	8.70
0500	10.85	8.60	8.60
0530	16.10	9.01	9.01
0600	16.10	8.70	8.70
0630	16.10	8.70	8.70
0700	18.41	8.70	8.70
0730	25.79	8.70	8.70
0800	35.41	8.60	8.60
0830	43.03	9.09	9.09
0900	54.18	22.49	25.06
0930	57.90	21.30	23.87
1000	60.86	24.96	27.54
1030	60.09	24.31	26.88
1100	58.25	25.80	28.37
1130	63.48	25.80	28.37
1200	69.05	28.87	31.44
1230	74.76	37.94	40.51
1300	67.94	37.94	40.51
1330	52.18	37.94	40.51
1400	45.01	28.87	31.44
1430	44.55	25.80	28.37
1500	42.89	25.80	28.37
1530	48.42	25.80	28.37
1600	80.86	29.50	32.06
1630	161.83	37.81	40.38
1700	390.34	47.91	50.48
1730	609.71	47.91	50.48
1800	481.18	47.91	50.48
1830	306.69	47.91	50.47
1900	175.22	37.36	39.93
1930	68.25	37.81	40.38
2000	44.89	34.20	36.77
2030	26.76	25.80	28.37
2100	22.86	24.96	27.54
2130	10.04	24.31	26.88
2200	18.46	22.49	25.06
2230	17.44	20.83	23.19
2300	18.45	9.09	9.09
2330	18.39	9.02	9.02
2400	18.10	8.75	8.75

[illegible]

©Energy Settlements and Information Services Limited

COMMODITIES AND AGRICULTURE

China's problems seen halving copper imports

By Kenneth Gooding, Mining Correspondent

China's copper imports this year would drop by more than half from the 1994 level and this would have a knock-on impact in other Asian countries, Mr Simon Hunt, chairman of the Brook Hunt metals consultancy organisation, predicted yesterday.

A severe credit squeeze would cut China's industrial production growth from a reported 20 per cent to between 6 and 8 per cent, while the country was likely to "turn inwards" because of the political uncertainty arising from the imminent death of Mr Deng Xiaoping, tha Chinese leader, he added.

Consequently, Brook Hunt was expecting Chinese imports of refined copper to fall from 210,000 tonnes in 1994 to 100,000 tonnes this year.

Weakening industrial activity in China would be felt in other parts of Asia, not only because the area was the main supplier of copper to that country but also because Asia provided China with many semi-fabricated and fabricated items containing the metal.

However, although China would have surplus refined copper, it was unlikely that it would export that metal this year but would wait until the political uncertainties were over, Mr Hunt told the UK Association of Mining Analysts. He estimated that China's own production of refined copper would increase from 690,000 tonnes last year to 735,000 in 1995 and reach 1m tonnes by the year 2,000. But its production of copper concentrate (an intermediate material) would not match that and "China will be a big player in the copper concentrate market in future".

Refined copper consumption in China, which fell by 15 per cent to 770,000 tonnes in 1994, was expected by Brook Hunt to remain stable this year.

● Speculative selling hit copper prices at the London Metal Exchange yesterday afternoon. The three months position retreated $60 from an early high of $3,065 a tonne.

Unified Germany gets to grips with land problem

Judy Dempsey finds a new optimism among exhibitors from eastern states at the Berlin agricultural fair

In the early years of German unification, it would have been difficult to find exhibitors from Germany'e five eastern states at Berlin's international Grüne Woche, or Green Week, the huge annual agricultural fair that closes in the capital tomorrow.

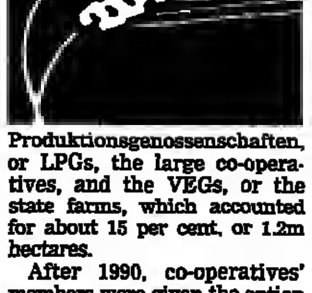
Over the past few days, however, scores of exhibitors from eastern Germany have proudly shown off their wares, ranging from milk, dairy, and beer products, to every imaginable kind of wurst. "We have nearly overcoma all our problems," says Mr Rudolf Herold, spokesman for the farmers' association from the eastern state of Brandenburg.

The gradual revival of eastern German agriculture has been helped immensely hy grants from the European Union, but also by a considerable investment programme by the federal government, which has already invested more than DM17.4bn (£7.2bn) in the region.

More important, however, after five years of bitter wrangling, agriculture in eastern Germany is stabilising because the vexed question of outstanding property rights is close to being resolved.

"If there was any one problem which plagued agriculture in the east, it was property rights," says Mr Otto Bammel, a senior official at the ministry for agriculture.

Until unification, the 4.8m hectares of arable land in the five eastern states was divided into the Landwirtschaftliche



Produktionsgenossenschaften, or LPGs, the large co-operatives, and the VEGs, or the state farms, which accounted for about 15 per cent, or 1.2m hectares.

After 1990, co-operatives' members were given the option of reclaiming their land or remaining in the LPGs. But this was more easily said than done. Under the communists the LPGs had run up huge dehts. "It was not because their were unprofitable," says Mr Bammel. "It's just that all the profits had to be given to the authorities and any investments had to be made on the basis of state credits."

As a result, the LPGs had accumulated debts of about DM8bn, which the federal government has since picked up. But in the meantime, to raise additional cash, the members of the LPGs have had to lease out or sell some of their assets – shops, kindergartens and other ancillary units that were once part of the LPG system.

If the members of the LPGs had difficulties in making the transition to the market economy, while at the same time adapting to European Union regulations for setting aside land, tha status of the VEBs has proved to be one of the biggest challenges for the BVVG, the organisation set up by the Treuhand privatisation agency to privatise eastern German land.

At first, in a bid to speed up privatisation, the BVVG started selling plots of VEB land to private individuals. But it soon turned out that many western Germans were buying that land. "This caused considerable resentment among the east Germans," says Mr Bammel. "The easterners had no capital and no collateral and no chance to get credits from the banks. There was real tension between easterners and westerners as a result."

This acheme was soon dropped; and the federal government and the BVVG tried to find a way of involving the eastern Germans. "We started leasing land to the easterners for a period of about 12 years, after which time they will have an option to buy," says Mr Bammel.

Then the real trouble began as former owners queued up to reclaim their land. Anyone whose land was confiscated by the Nazis between 1933 and 1945, has the right to compensation or restitution. The same right applies to those whose land was expropriated by the communists between 1949 and 1990. However, the former Prussian landowners, whose land was expropriated by the Soviet administration that ruled over eastern Germany between 1945 and 1949, had until recently no right to any form of compensation or restitution. An exception was made for those with holdings smaller than 100 hectares.

During the 1945-49 period the large estates were either broken up and given to German settlers who had fled from Russia and eastern Europe, or else turned over to the VEBs.

During the past five years some of these former owners tried to rent land from the BVVG, or indeed quickly to get back their land before the BVVG was set up in 1990, which eastern Germans often resented. "The BVVG's attempts to privetise the VEBs was hindered by the fact that these former owners insisted that property should be treated eqoally before the law, and that therefore they should have the right to either compensation or some restitution," explains an agricultural ministry official.

After many attempts to draft a law allowing compensation to former owners the federal governmeot late last year finally agreed on a system whereby the 1945-49 former owners would have some limited right to compensation, and the right to buy and rent land in eastern Germany.

"This law, called the Ausgleich, essentially gives easterners and westerners more or less the same rights to rent and buy land from the BVVG," says Mr Bammel.

In most cases, these former owners can only claim – through buying – 10 per cent of land, but not their original land because eastern Germans have been farming it for the past 40 years. They also have the right to buy, at a small reduction, land from the BVVG. For their part, the easterners can buy land at about a third of the market price.

With the new Ausgleich law, however, the BVVG has discovered that it does not have enough land to meet the demand from easterners and westerners. Nor can it decide to whom it should sell the land.

To overcome the first problem, the BVVG is now selling forests as well. And it intends to judge any new potential owner on the basis of his or her investment plans. "But we are still waiting for a law to implement the Ausgleich regulations," says Mr Bammel. That law is due later this epring. "And once that ie passed, most of the property rights ehould be solved," he adds. "We are slowly on the road to recovery."

"I can hardly wait for when things will be normal," says Mr Herold, sitting at his Brandenburg stand at the Grüne Woche.

Forestry status boost forecast

By Deborah Hargreaves

The entry of Sweden, Finland and Austria into the European Union has doubled the region's woodland and should raise the status of the forest industry, which has previously been seen as a low priority, according to the Swedish Forest Industries Association.

"The forestry industry must co-ordinate its lobbying efforts to get EU politicians and the Commission to focus on the sector's needs," Ms Marie Schrewelius, director of international relations, told a conference yesterday.

Forestry officials are concerned about the support for ecological taxes, including a virgin materials tax, at an EU level, as the pulp and paper industry suffers from a bad public image.

The importance of the forestry industry in countriee such as Sweden and Finland, where it was responsible for 20 per cent and 40 per cent of export revenues, respectively, should force the EU Commission to take it seriously, Ms Schrewelius said.

The EU'a expansion this year makes the region 75 per cent self-sufficient in timber from a previous level of 40 per cent and 95 per cent self-sufficient in paper and paperboard. It increases EU consumption of pulp from 17m tonnes to 34m and production will grow from 9m to 29m tonnes.

Nordic countries are expected to add their weight to the environmental debate in the EU, but the drive towards recycling is also likely to be affected by the influence of the forestry industry which wants to sell virgin fibre.

Mr Per Jerkeman, consultant at Jaakko Pöyry group, said public opinion about the desirability of recycling as much paper as possible should ba changed. Utilisation of recycled fibres should be high, "but not so high that reforestation is diminished or prevented and paper quality impaired".

MARKET REPORT

Coffee retreats

London Commodity Exchange COFFEE futures prices gave up early gains yesterday afternoon following a weak opening in New York.

The March delivery contract fell $48 on balance to $2,800 a tonne, its lowest level since January 18, having been as high as $2,882.

COCOA futures presented a mirror image of the coffee market, following New York higher after shrugging off early losses.

The March price ended up £10 at £993, having traded as high as £1,002 and as low as £977.

Compiled from Reuters

End to EU farm policy uncertainty urged

By Caroline Southey in Brussels

Experts at the forefront of the debate on reform of the European Union'e Common Agricultural Policy yesterday called for clarity and an end to uncertainty for Europe's farmers on what changes would be needed ahead of enlargement to the east.

Addressing the issues from the same platform for the first time were Mr Henri Nallet, who co-authored a report for the agriculture directorate, Mr Arne Larsen, responsible for a second commission report and Professor Allan Buckwell, one of four academics to produce studies earlier this month for Sir Leon Brittan.

Mr Terry Wynn, a Member of the European Parliamnet and spokesman for the socialist group on budgetary affairs, also addressed the seminar on "CAP reform in the light of enlargement" organised by the Centre for European and Policy Studies in Brussels.

The authors repeated their earlier calls for changes to the CAP ahead of enlargement, but said reforms would be introduced over a long period. "Nobody believes there will never by any more reform. But most expect this process to go on over a long period of time. There will not be a hig bang," Mr Larsen said.

Mr Buckwell warned against polarising opinion in the debate on reform and "driving groups into corners". He said a review was necessary because an enlarged EU had to address how best to arrange policy for nearly 16m farmer, not 8m as now, as well as millions of new consumers.

Mr Michael Tracy, director of Agricultural Policy Studies (APS) in Belgium who chaired the meeting, argued that ideas on changes to the CAP should "not remain the monopoly of the commission." He said a conference should be called with delegates from all the members states and numerous interest groups before the commission prepared its report, expected later this year, on the policy implications of enlargement.

Mr Nallet called for a diversified, sector hy sector, approach to the problem so that farmers could be provided with a clearer orientation.

Mr Wynn said it was unacceptable that the European Parliament had no control over CAP expenditure. In addition, he argued, social and regional funds should be used to sustain rural areas, not the CAP.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	2126-7	2187-8
Previous	2149-50	2187-8
High/low	2146	2195/2156
AM Official	2146-6.5	2187.5-8.0
Kerb close		2155-6
Open int.	N/A	
Total daily turnover	N/A	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	2020-30	2060-70
Previous	2030-40	2070-5
High/low		2075/2080
AM Official	2035-45	2076-83
Kerb close		2060-70
Open int.	N/A	
Total daily turnover	N/A	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	687.5-8.5	705-5.5
Previous	687-8	703.5-4.0
High/low	691	709/697
AM Official	692-3	707.5-8.0
Kerb close		697-9
Open int.	N/A	
Total daily turnover	N/A	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	10155-165	10330-31
Previous	10080-90	10258-60
High/low	10310/10305	10500/10170
AM Official	10307-310	10468-72
Kerb close		10170-80
Open int.	N/A	
Total daily turnover	N/A	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6445-55	6545-65
Previous	6450-60	6550-60
High/low		6640/6490
AM Official	6530-35	6620-21
Kerb close		6490-510
Open int.	N/A	
Total daily turnover	N/A	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1176-7	1203-4
Previous	1190-1	1216-7
High/low	1182/1191	1220/1193
AM Official	1191-2	1217-7.5
Kerb close		1193-5
Open int.	N/A	
Total daily turnover	N/A	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	3020-22	3023-4
Previous	3044.5-5.5	3048-9
High/low	3066/3065	3066/3005
AM Official	3062-3	3062-3
Kerb close		3012-4
Open int.	N/A	
Total daily turnover	N/A	

■ LME AM Official £/$ rate: 1.6012
LME Closing £/$ rate: 1.5915

Spot:1.5934 3 mths:1.5922 6 mths:1.5913 9 mths:1.5899

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jan	140.30	-4.15	144.30	140.70	1,348	275
Feb	138.35	-3.45	141.10	138.50	1,246	110
Mar	138.35	-3.35	142.70	138.00	33,532	8,377
Apr	136.85	-2.85	140.80	140.50	950	14
May	134.85	-2.45	138.00	134.30	5,998	583
Jun	133.05	-2.25	134.75	134.20	591	-
Total					58,125	10,000

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	381.20-381.50	
Opening	381.60-382.00	
Morning fix	381.70	238.697
Afternoon fix	381.45	239.124
Day's High	381.90-382.20	
Day's Low	380.30-380.60	
Previous close	381.50-381.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.39	6 months	5.60
2 months	4.78	12 months	6.20
3 months	5.00		

Silver Fix	p/troy oz.	US cts equiv.
Spot	300.95	481.25
3 months	305.60	488.25
6 months	310.70	486.15
1 year	323.05	515.10

Gold Coins	$ price	£ equiv.
Krugerrand	382-385	239-242
Maple Leaf	382.10-384.60	-
New Sovereign	89-92	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jan	380.7	-0.9	-	-	-	-
Feb	380.9	-0.8	382.5	380.6	51,332	16,763
Mar	382.3	-1.1	-	-	5	-
[illegible]						

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	109.75	+0.40	110.00	108.60	1,324	117
May	111.70	+0.50	111.85	111.50	1,921	160
Jul	113.15	+0.40	113.00	112.80	382	40
[illegible]						

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

Nuts & Seeds

[illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	993	+10	1002	977	35,013	1,990
May	998	+11	1005	982	18,785	1,110
Jul	1011	+13	1017	995	9,868	432
[illegible]						

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

[illegible]

■ CRB Futures (Base: 1967=100)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	74.350	-	74.475	74.100	21,363	8,817
Apr	74.550	+0.225	74.850	74.150	39,497	7,222
Jun	68.250	+0.200	68.300	67.850	14,120	3,725
[illegible]						

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

[illegible]

■ COPPER (Grade A) LME

	Apr	Jul	Apr	Jul
2900	-	148	-	123
3000	134	104	80	177
3100	86	-	130	-

■ COFFEE LCE

	Mar	May	Mar	May
2700	154	241	51	157
2750	123	215	70	181
2900	96	192	93	206

■ COCOA LCE

	Mar	May	Mar	May
950	61	76	5	28
975	34	62	16	39
1000	21	49	28	51

■ BRENT CRUDE IPE

	Apr	Jul	Apr	Jul
1600	86	102	30	58
1650	57	89	47	83
1700	33	48	77	104

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)

		+or-
Dubai	$16.19-6.21t	-0.17
Brent Blend (dated)	$16.88-6.90	-0.23
Brent Blend (Mar)	$16.70-6.72	-0.21
W.T.I. (1pm est)	$18.28-8.29t	-0.226

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$164-166	-1
Gas Oil	$147-148	-
Heavy Fuel Oil	$101-103	-1.5
Naphtha	$163-164	
Jet fuel	$161-166	-1.5
Diesel	$152-153	-0.5

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

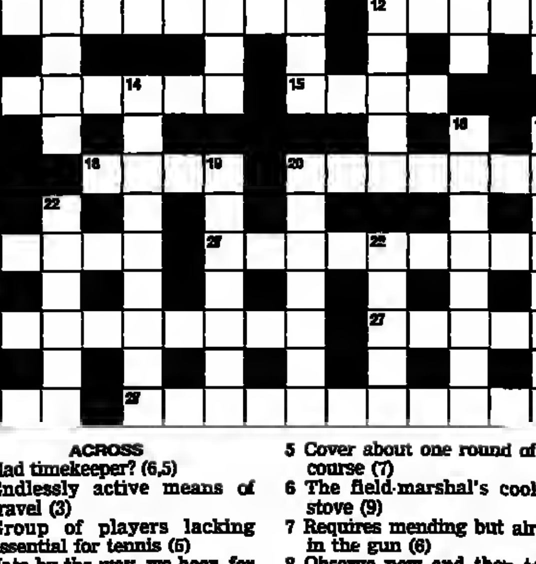
Gold (per troy oz)♣	$381.35	-0.35
Silver (per troy oz)♣	481.5c	-2.0
Platinum (per troy oz.)	$418.50	+2.5
Palladium (per troy oz.)	$157.75	+0.25
Copper (US prod.)	149.0c	+2
Lead (US prod.)	42.25c	
Tin (Kuala Lumpur)	16.24m	-0.06
Tin (New York)	303.5c	
Cattle (live weight)†	118.58p	-0.76*
Sheep (live weight)†♠	120.09p	+3.68*
Pigs (live weight)	83.34p	+5.43*
Lon. day sugar (raw)	$361.3	-2.8
Lon. day sugar (wte)	$409.0	-7.5
Tate & Lyle export	£340.0	-2.0
Barley (Eng. feed)	£110.5	+0.5
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Feb)♥	118.50p	
Rubber (Mar)♥	119.00p	
Rubber (KL RSS No1 Jul)	447.0m	+3.0
Coconut Oil (Phil)§	$620.0y	+10
Palm Oil (Malay.)§	$640.0u	+10
Copra (Phil)§	$385.0y	
Soyabeans (US)	£166.0q	
Cotton Outlook'A' Index	87.75c	+0.15
Wooltops (64s Super)	507p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Mar. y Feb/Mar. u Feb. q Jan/Mar ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week ® Prices are for previous day.

JOTTER PAD

CROSSWORD

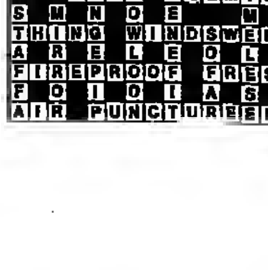
No.8,670 Set by QUARK



ACROSS
1 Mad timekeeper? (6,5)
7 Endlessly active means of travel (3)
9 Group of players lacking essential for tennis (6)
10 Vote by the way, we hear, for the conductor (9)
11 Workers reps? None, left, surprisingly (9)
12 First sign of humour, long a source of laughter? (5)
13 Declaimed it in creed in error (7)
15 Fix time for a beer (4)
18 University going in for a certain number (4)
20 Fairly big blow with rig collapsing internally (7)
23 Old doctor in shelter next to church (5)
24 Top of the pops? (6,3)
26 Make some holas and turn over for repeat (9)
27 Bird with a good lift-off? (5)
28 Fish in the Elbe (3)
29 Tima for a rest by side of river? (4,7)

DOWN
1 Plan to study church feature (8)
2 Shorten the agreement (8)
3 Better in the open air when lacking oxygen, right? (5)
4 Purified candle melted round beginning of evening (7)
5 Cover about one round of the course (7)
6 The field-marshal's cooking stove (9)
7 Requires mending but alright in the gun (6)
8 Observe now and then to go up and down (6)
14 A fine one won't miss much (5-4)
16 Company worker with it is unwavering (4,4)
17 Risk lines in court (8)
19 The adjudicator drops chorus of song (7)
20 Doctor in health cut going around in London district (7)
21 See pal at sea go by (6)
22 The car's essential carpet Rolls includes (6)
25 Never ending scene in pub (5)

Solution 8,669



INTERNATIONAL CAPITAL MARKETS

Political doubts again depress Italian issues

By Graham Bowley in London and Lisa Bransten in New York

Political uncertainty continued to dog the Italian government bond market yesterday.

Traders pushed prices lower after a vote of confidence underlined prime minister Mr Lamberto Dini's fragile hold on power. The Italian March futures contract on Liffe fell ½ point after the vote, before recovering slightly. The yield premium over German bunds widened from 473 to 480 basis points.

"Mr Dini survived the vote but his future is still fairly uncertain," said Mr Kirit Shah, bond strategist at First Chicago in London.

"There is further downside in the Italian market."

■ Elsewhere in Europe, government bond markets recovered some ground after falling in early trading to finish slightly ahead on the day.

In the UK, the first auction of ultra long-dated gilts for almost two years was successful, providing an early boost to prices. The £2bn issue of 20-year gilts, which offer an 8 per cent coupon, was covered 1.79 times, with a tail – the difference between the highest and the average accepted yield – of zero.

A spread of only one basis point between the highest and lowest accepted price bids was an indication of the strong demand for the long-dated bonds, analysts said.

Dealers said that pension funds, insurance companies and other institutional investors bought a large proportion of the gilts.

The long gilt future was up $\frac{1}{32}$ at 100% in late trading.

GOVERNMENT BONDS

■ German government bonds moved higher in afternoon trade after bund futures on Liffe met with significant support et the 89.30 level.

Slightly lower-than-expected regional consumer price data provided a small boost to sentiment. But market attention continues to be occupied by M3 money supply data, due to be released soon, and next week's FOMC meeting in the US.

In late trade, the March bund future on Liffe was up 0.22 at 89.72.

■ The weakness of the krona on the foreign exchanges and a poorly-received auction of SKr7.5bn long-dated bonds pushed Swedish government bond prices lower.

Yields rose to 11.15 from 11.07 per cent and the spread against German bonds widened by 9 points to 353 basis points.

■ US Treasury prices were mostly flat yesterday morning as traders watched for hints of interest rate policy in testimony by Mr Alan Greenspan, chairman of the Federal Reserve, before two Congressional committees.

At midday, the benchmark 30-year Treasury was up $\frac{1}{32}$ at $95\frac{3}{32}$ to yield 7.919 per cent. At the short end of the market, the two-year note rose $\frac{1}{16}$ to $99\frac{9}{32}$, to yield 7.534 per cent.

In testimony to the Senate Finance Committee, Mr Greenspan would not say whether the Fed would put rates up at the meeting of its Open Market Committee next week. Consensus on Wall Street was that the central bank would raise rates by 50 basis points at the meeting due to begin January 31.

Adding to downward pressure was the new supply to come from an afternoon auction of $11bn in five-year notes.

OTC dealers study draft code of trading conduct

By Laurie Morse by Chicago

If the tenor of the draft "Wholesale Transactions Code of Conduct" being discussed in New York's financial community seems more than slightly defensive, it is for good reason.

Traders in over-the-counter (OTC) markets have operated in a clubby atmosphere with few written rules, but with elaborate and well understood trade practices.

OTC dealings in debt, foreign exchange, structured notes and derivatives have long been considered games between equals where each party is understood to be jockeying for the advantage.

However, OTC markets have broadened to include those whose trading is secondary to their main businesses, and their entrance, largely at the bidding of the established dealers, has confused relationships.

This is most evident in the OTC derivatives field, where municipalities, medium-sized corporations, and pension funds are ducking out of losing trades, claiming in high-profile court cases to have been misled, poorly advised, or kept in the dark by the counterparties to their trades.

US derivatives and securities regulators, in a precedent-setting case settled quietly during Christmas week, agreed with one of these plaintiffs that dealers hold (and at times withhold) critical information, and with this advantage must assume more responsibility for fairness in a trade.

In fining Bankers Trust Securities $10m for fraud in its derivatives dealings with Gibson Greetings, a card and wrapping paper company, the Commodity Futures Trading Commission said the bank's advisory relationship with its client made it a commodity trading adviser, and hence subject to CFTC jurisdiction and the agency's anti-fraud rules.

DERIVATIVE INSTRUMENTS

This decision, and pressure from client-counterparties who are seeking to revise terms of trades after the fact, clearly impressed the group – mostly dealers – who are crafting standards of conduct, which they call the "Wholesale Transactions Code" in an effort to clarify OTC trading ground-rules for newcomers whose main businesses are not trading.

Mr Lewis Teal, the executive vice-president of Bank of America, who is co-chairing the code-writing committee, said: "What we think we have put down on paper is not something new. It's the way the majority of OTC participants already operate."

Specifically, the dealing community is not anxious to be declared trading "advisors" by the CFTC after the fact, particularly if a client first represents itself as a sophisticated trader and then comes back to claim naiveté in the courts.

In an effort to discourage this, the "code of conduct" – still in draft form and intended to be purely voluntary if adopted – bluntly declares that every counterparty in a bilateral OTC trade is equal unless agreed otherwise in advance, in writing.

How palatable this will be to end-users and regulators remains to be seen. Calling a housecat a tiger does not make it a tiger. However, the use of written agreements to define customer/counterparty relationships in advance is a step that, if adopted universally, could lighten some of the confusion that surrounds customer responsibility in these private-market dealings.

Investors await outcome of FOMC meeting

By Martin Brice

Investors are sitting on the sidelines until the Federal Open Market Committee in the US on Tuesday, slowing eurobond issuance.

They fear the FOMC may raise interest rates, and this makes placing dollar paper difficult before the meeting.

Issuance in yen has slowed since the Japanese earthquake, and an auction of long-dated UK government bonds yesterday made longer-dated sterling deals unlikely. This has left the D-Mark sector in the spotlight, with one syndicate official in Germany describing it yesterday as "a sort of safe haven".

INTERNATIONAL BONDS

However, he said: "The FOMC meeting is very critical for the D-Mark sector. We will follow the US." Arbitrage opportunities are difficult in the D-Mark sector, so syndicates expect any offerings to come from issuers which need D-Marks. Deals from L-Bank, Italy and Finland are rumoured to be in the market.

Yesterday saw a DM200m deal from ING Bank brought through joint books Bayer LB and Merrill Lynch in Frankfurt, which said the bonds had received a good reception from both retail and institutional buyers. The bonds were given a five-year maturity to attract both sets of investors, said Merrill.

This issue was the first in D-Marks by ING Bank. It was brought at 23 basis points over the relevant bund, and when freed to trade widened out a tick to around 24, well within fees said Merrill.

The European Investment Bank raised Ecu400m with a bond via joint books SBC and CDC, which said the five-year maturity was targeted to attract both retail and institutional investors.

The issue was a move by the EIB to move its Ecu issues away from a purely retail investor base, said SBC. The bonds were brought at a spread of 7 basis points under the relevant French government bond.

The New South Wales Treasury Corp raised A$100m with a two-year issue sold at a deep discount through Nomura, which said the discount gave the bonds a yield to maturity of 9.64 per cent. The bonds carried a coupon of 4.5 per cent.

LW Rentenbank visited the lira sector for the first time with L150bn of bonds brought through joint books San Paolo and BCI, which said a fall in the lira market due to the confidence vote in parliament had created swap opportunities.

BCI said: "We waited for the outcome of the confidence vote and decided to launch the transaction." It said flow-back of bonds had been thin.

A series of issues came in Luxembourg francs, all of LFr2bn or more, as a result of Belgium's decision to set a BFr2bn minimum on Eurobonds sold in the country. A record LFr385bn worth were issued last year, most sold in Belgium.

The European Bank for Reconstruction and Development said proceeds of its five-year HK$500m bond brought on Tuesday via UBS had been swapped into floating-rate US dollars.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
D-MARKS							
ING Bank	500	7.375	99.88R	Feb.2000	0.25R	+23(7%-99)	Bayer.LB/Merrill Lynch Bank
ITALIAN LIRE							
Landwirtshaftliche Rentenbank	150bn	11.00	101.216	Mar.1998	1.375	-	BCI/ San Paolo
LUXEMBOURG FRANCS							
DSL Finance	5bn	zero	65.80	Dec.2000	1.375	-	Crédit Européen
Cregem International Bank(a)	2bn	8.00	102.65	Aug.2000	1.875	-	Cregem International Bank
GECC(b)	2bn	7.75	102.25	Dec.1998	1.625	-	BGL/ Banque Paribas Lux.
ECUS							
European Investment Bank(c)	400	8.25	99.56R	Feb.2000	0.25R	-7(9%-00)	CDC/ Swiss Bank Corp.
AUSTRALIAN DOLLARS							
New Sth.Wales Treasury Corp.	100	4.50#	86.886	Feb.1998	1.375	-	Nomura International

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Long 1st coupon. b) Short 1st coupon. c) Spread relates to French govt ECU OATs.

Lift for Luxembourg franc sector

By Richard Lapper

New rules governing sales of eurobonds in Belgium are likely to improve the quality of issues denominated in Luxembourg francs, according to bankers active in this segment of the euromarket.

A rule stipulating that all issues sold in Belgium must be BFr2bn or more in size is expected to come into effect in the next few days.

It is expected to have a particular effect on Luxembourg franc issues – whose average size last year was LFr1.3bn – since Belgium has provided the biggest market for paper issued in the Grand Duchy.

Local individual investors account for about three quarters of Belgian demand for Luxembourg franc eurobonds.

The revision was prompted by losses suffered by local investors after two issuers last year defaulted on paper sold to local investors, according to bankers.

Other imminent changes include a requirement that at least three banks from European Union member states are involved in the syndication of the issues.

Several other modifications in Belgian regulations – including tighter rules on disclosure by issuers – were signalled last month.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	91.5900	+0.680	10.40	10.29	10.31
Austria		7.500	01/05	98.5400	+0.110	7.71	7.71	7.71
Belgium		7.750	10/04	95.4400	-	8.45	8.45	8.35
Canada *		9.000	12/04	96.7000	+0.100	9.52	8.50	8.15
Denmark		7.000	12/04	86.9000	-	9.06	9.01	8.78
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	95.4500	+0.300	8.18	8.13	8.10
Germany Bund		7.375	01/05	98.3400	+0.120	7.54	7.51	7.50
Ireland		8.250	10/04	82.3500	+0.050	8.78†	8.78	8.84
Italy		8.500	08/04	80.4100	-0.530	12.01	12.03	12.03
Japan	No 118	4.800	06/99	103.8220	+0.040	3.80	3.87	3.82
	No 164	4.100	12/03	96.1780	-0.030	4.71	4.67	4.58
Netherlands		7.250	10/04	96.8500	+0.070	7.71	7.67	7.67
Portugal		8.875	01/04	82.5100	-1.740	11.64	11.64	11.81
Spain		10.000	02/05	88.7100	+0.470	11.64	11.81	11.35
Sweden		6.000	02/05	69.7700	-0.220	11.16	10.93	10.92
UK Gilts		6.000	08/99	90-04	-	8.68	8.60	8.50
		6.750	11/04	87-02	+2/32	8.74	8.86	8.52
		8.000	10/08	102-10	+2/32	8.71	8.64	8.50
US Treasury *		7.875	11/04	100-03	-1/32	7.88	7.71	7.77
		7.500	11/24	95-03	-2/32	7.93	7.77	8.14
ECU (French Govt)		8.000	04/04	83.6000	+0.100	8.64	8.57	8.60

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
Prime rate	$8\frac{1}{2}$	One month	5.13	Two year	7.80
Broker loan rate	$6\frac{1}{2}$	Two month	5.60	Three year	7.71
Fed.funds	$5\frac{1}{2}$	Three month	6.00	Five year	7.85
Fed.funds at intervention	-	Six month	6.57	10-year	7.88
		One year	7.07	30-year	7.94

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	110.62	110.74	+0.16	110.78	110.30	112,764	136,638
Jun	109.80	109.80	+0.16	109.84	109.46	1,322	5,022
Sep	109.14	109.22	+0.16	109.14	108.80	127	1,552

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls Jun	Puts Feb	Puts Mar	Puts Jun
109	-	-	-	0.01	0.27	1.24
110	0.68	1.23	-	0.02	0.98	1.65
111	0.10	0.57	-	0.38	1.05	-
112	0.01	0.31	0.65	-	1.58	-
113	-	0.10	0.41	-	-	-

Est. vol. total, Calls 18,813 Puts 25,852 . Previous day's open int., Calls 168,989 Puts 187,161.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	89.47	89.61	+0.11	89.73	89.28	149828	199047
Jun	88.90	89.02	+0.11	88.99	88.87	76	5827

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
8950	0.62	0.58	0.74	0.89	0.51	1.06	1.22	1.37
9000	0.39	0.41	0.55	0.63	0.78	1.39	1.53	1.67
9050	0.23	0.28	0.40	0.53	1.12	1.76	1.88	2.01

Est. vol. total, Calls 16747 Puts 6944. Previous day's open int., Calls 168342 Puts 109512

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.98	99.41	-0.49	100.14	99.24	37749	52526
Jun	98.80	98.58	-0.39	98.80	98.60	123	252

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
9900	1.22	1.95	0.81	2.39
9950	0.96	1.71	1.05	2.65
10000	0.73	1.49	1.32	2.93

Est. vol. total, Calls 1627 Puts 1556. Previous day's open int., Calls 22054 Puts 25203

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	83.21	83.62	+0.48	83.69	82.95	54,427	50,359
Jun	82.92	83.35	-	83.25	82.85	482	527

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100-18	100-22	+0-01	100-30	100-10	85884	68917
Jun	100-27	100-29	+0-02	100-29	100-27	9	574

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
100	1-19	2-29	0-39	1-35
101	0-47	1-57	1-03	1-63
102	0-23	1-27	1-43	2-33

Est. vol. total, Calls 7488 Puts 5187. Previous day's open int., Calls 39894 Puts 47819

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	80.66	80.64	+0.10	80.70	80.32	2,861	7,044
Jun	-	80.38	+0.10	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	99-03	98-28	-0-07	99-05	98-22	140,351	381,513
Jun	98-18	98-12	-0-07	98-20	98-07	8,356	21,253
Sep	98-00	98-01	-0-10	98-01	98-00	352	2,550

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	108.28			108.28	108.22	1418	0
Jun	107.51			107.51	107.51	21	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Jan 25	Day's change %	Tue Jan 24	Accrued interest	xd adj. ytd		Low coupon yield Jan 25	Jan 24	Yr. ago	Medium coupon yield Jan 25	Jan 24	Yr. ago	High coupon yield Jan 25	Jan 24	Yr. ago
1 Up to 5 years (24)	118.24	-0.03	118.27	1.34	1.40	5 yrs	8.75	8.72	5.67	8.74	8.73	5.90	8.94	8.92	6.00
2 5-15 years (22)	138.33	-0.04	138.74	1.84	1.17	15 yrs	8.62	8.62	6.42	8.76	8.74	6.50	8.94	8.96	6.70
3 Over 15 years (9)	152.93	-0.01	152.96	0.94	2.83	20 yrs	8.56	8.59	6.62	8.76	8.74	6.64	8.86	8.88	6.72
4 Irredeemables (6)	175.60	+0.35	174.98	2.24	0.00	Irred.†	8.63	8.66	6.61						
5 All stocks (61)	135.16	-0.02	135.40	1.55	1.51										

Index-linked							Inflation 5% Jan 25	Jan 24	Yr. ago	Inflation 10% Jan 25	Jan 24	Yr. ago
6 Up to 5 years (2)	188.58	+0.10	188.39	1.61	0.00	Up to 5 yrs	4.04	4.08	2.28	3.71	3.75	[illegible]
7 Over 5 years (11)	172.52	+0.01	172.49	0.52	0.59	Over 5 yrs	3.95	3.96	2.91	3.76	3.76	[illegible]
8 All stocks (13)	173.27	+0.02	173.23	0.62	0.53							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 25	Jan 24	Jan 23	Jan 20	Jan 19	Yr ago	High*	Low*
Govt. Secs. (UK)	90.52	90.55	90.57	90.83	90.80	106.51	107.04	89.54
Fixed Interest	109.04	109.01	109.20	109.29	109.30	133.09	233.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 24	Jan 23	Jan 20	Jan 19	Jan 18
Gilt Edged bargains	83.9	88.5	79.9	80.2	87.3
5-day average	83.9	84.5	85.3	85.4	85.1

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	1994/95 High	1994/95 Low
Shorts" (Lives up to Five Years)							
Exch 3pc Gas 1990-95		3.02	5.83	$99\frac{3}{8}$	—	$103\frac{3}{4}$	$97\frac{3}{4}$
$10\frac{1}{4}$pc 1995		10.07	6.72	$101\frac{3}{4}$	—	[illegible]	$101\frac{3}{4}$
Treas $12\frac{3}{4}$pc 1995‡‡		12.19	6.86	$104\frac{5}{8}$	—	$113\frac{3}{4}$	$104\frac{5}{8}$
[illegible]							

	Notes	Yield Int	Yield Red	Price £	+ or –	1994/95 High	1994/95 Low
Conversion $9\frac{1}{2}$pc 2004		9.12	8.83	$104\frac{1}{8}$	$-\frac{1}{8}$	$125\frac{1}{8}$	[illegible]
Treas $6\frac{3}{4}$pc 2004‡‡		7.76	8.73	87	$-\frac{1}{8}$	$105\frac{1}{8}$	$84\frac{3}{8}$
[illegible]							

	Notes	Yield (1)	Yield (2)	Price £	+ or –	1994/95 High	1994/95 Low
Index-Linked	(b)						
2pc '96	(67.9)	2.44	4.06	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]							

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on January 25

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury $6\frac{1}{2}$ 03	1000	$87\frac{7}{8}$	$88\frac{1}{8}$		8.59
Alberta Province $7\frac{5}{8}$ 98	1000	98	$98\frac{3}{8}$	$-\frac{1}{8}$	8.25
Austria $8\frac{1}{2}$ 98	400	$101\frac{1}{8}$	$101\frac{1}{2}$		8.22
Bank Ned Gemeenten 7 99	1000	$95\frac{3}{4}$	96		8.13
Bank of Tokyo $8\frac{3}{4}$ 96	100	$100\frac{3}{4}$	$100\frac{5}{8}$	$-\frac{1}{8}$	8.10
[illegible]					

CURRENCIES AND MONEY

MARKETS REPORT

Missiles and Mexico provide support to dollar

Optimism about a rescue package for Mexico and a false alarm about a Russian missile yesterday prompted a rally in the dollar, *writes Philip Gawith.*

The dollar rose more than 1½ pfennigs off its low for the day of DM1.5035, to touch DM1.52, before retreating to close in London at DM1.5183. It also made ground against the yen, rising off a low of Y99.2 to finish at Y99.69.

Technical analysts said the breach of DM1.5160 could indicate a significant upward move for the dollar. Other observers, however, cautioned that the dollar's fate depended on whether the Federal Reserve chose to raise interest rates next week, and whether a support package for Mexico was passed by the US Congress.

One City analyst predicted that the dollar would go into a tailspin if a support package was not approved soon.

Elsewhere, the main surprise was the poor performance of the Italian lira after the new prime minister, Mr Lamberto Dini, successfully weathered a confidence debate.

Shortly before the vote, the lira traded at L1,047 against the D-Mark, but weakened on the outcome to close at L1,053.

Sterling finished unchanged against the D-Mark, at DM2.4146, but closed at $1.5904 against the dollar after earlier breaching $1.60. The Bank of England cleared a £200m money market shortage, mostly through late operations.

■ The dollar received a lunchtime boost from reports, later shown to be false, that Russian air defences had shot down a missile. Earlier, President Clinton's overnight "state of the union" address had been largely ignored.

More substantial gruel for investors came later in the form of a congressional appearance by Mr Alan Greenspan. The market took comfort from his comments about inflation, which were seen as improving chances of a rate rise next week.

"It would be very surprising if the Fed chairman talked about inflationary pressures and declined to raise rates at the FOMC meeting," said Mr Michael Burke, international economist at Citibank in London. This analysis gained some support from strong housing sales figures.

Analysts said that dollar bears had reasserted themselves following further poor US trade figures, and no signs of a slowdown in the economy.

Mr Robin Marshall, chief economist at Chase Manhattan in London, said the fall in the dollar was being inhibited by memories of November. The Fed then sprung a bear trap on the market by intervening to support a weak dollar, and following up with a 75 basis point rise in interest rates.

Although the dollar is around the levels, against the D-Mark, which the prompted Fed intervention, the weakness of the peso and the Canadian dollar mean it is 5-6 per cent higher on a trade weighted basis.

Mr Paul Chertkow, head of global currency research at UBS in London said the keys to the dollar were Mexico and the Fed. He said the Congressional appearances of Mr Greenspan, and treasury secretary Mr Robert Rubin, had left Congress in no doubt of the importance of passing a Mexico support package.

"The alternative to that is a free-floating peso," said Mr Chertkow. This would make a nonsense of Nafta – US exports to Mexico would become prohibitively expensive, harming both countries – and probably aggravate the flow of Mexican immigrants into the US.

Notwithstanding these concerns, Mr Chertkow said the Fed would not be held hostage to a weak peso. Policy would be set according to US domestic needs.

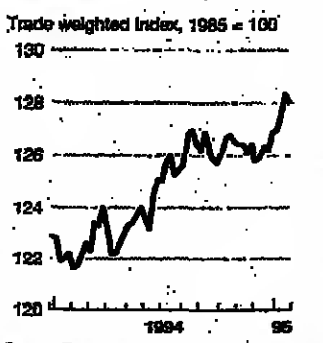
Despite the apparently positive technical outlook for the dollar, Mr Chertkow said hedge funds and investment banks appeared to prefer the downside. Earlier there had been a rumour in the market that Mr Fred Bergsten, an influential US economist, had predicted the dollar falling to DM1.40.

■ Mr Dini's victory proved a chimera, as the market soon realised that the combination of abstentions and no votes outnumbered the support garnered by the prime minister.

Mr Dini's position is clearly susceptible to sabotage from Mr Silvio Berlusconi, the former prime minister, whose supporters abstained in yesterday's vote. Analysts warned, though, that Mr Berlusconi's chances in a subsequent election might be harmed if he was perceived as a spoiler.

D-Mark

Trade weighted index, 1985 = 100



Source: Datastream

■ **Pound in New York**

Jan 25	Latest	Prev. close
£ spot	1.5926	1.5985
1 mth	1.5916	1.5961
3 mth	1.5909	1.5953
1 yr	1.5865	1.5915

■ **OTHER CURRENCIES**

Jan 25	£	$
Hungary	177.905 - 178.143	111.890 - 111.990
Iran	2731.00 - 2734.00	1748.00 - 1750.00
Kuwait	0.4748 - 0.4756	0.2985 - 0.2990
Poland	3.8319 - 3.8352	2.4100 - 2.4110
Russia	6282.00 - 6298.00	3950.00 - 3960.00
U.A.E.	5.8388 - 5.8422	3.6722 - 3.6727

POUND SPOT FORWARD AGAINST THE POUND

Jan 25		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.9484	-0.0158	415 - 553	17.0115	16.9415	16.9359	0.9	16.9022	1.1	-	-	116.5
Belgium	(BFr)	49.6984	-0.0887	652 - 315	49.8880	49.6652	49.6484	1.2	49.5634	1.1	49.0384	1.3	117.8
Denmark	(DKr)	9.5254	+0.0053	209 - 299	9.5425	9.5030	9.5274	-0.3	9.5276	-0.1	9.5029	0.2	117.5
Finland	(FM)	7.5273	+0.0364	217 - 329	7.5360	7.4770	-	-	-	-	-	-	89.4
France	(FFr)	8.3557	-0.0023	523 - 591	8.3676	8.3343	8.3509	0.7	8.3414	0.7	8.2759	1.0	110.5
Germany	(DM)	2.4149	-	136 - 156	2.4186	2.4066	2.4116	1.4	2.4058	1.5	2.3703	1.8	126.0
Greece	(Dr)	375.482	-0.355	240 - 723	376.724	374.444	-	-	-	-	-	-	-
Ireland	(I£)	1.0116	+0.0007	111 - 125	1.0131	1.0097	1.0115	0.4	1.0112	0.2	1.0096	0.2	105.3
Italy	(L)	2542.17	+11.12	042 - 393	2544.16	2523.62	2547.67	-2.6	2557.17	-2.4	2601.52	-2.3	73.0
Luxembourg	(LFr)	49.6984	-0.0887	652 - 316	49.8880	49.6652	49.6484	1.2	49.5634	1.1	49.0384	1.3	117.8
Netherlands	(Fl)	2.7058	-0.002	044 - 072	2.7111	2.7004	2.7031	1.2	2.6968	1.3	2.6593	1.7	122.0
Norway	(NKr)	10.5692	+0.0076	652 - 731	10.5827	10.5360	10.5666	0.1	10.5676	0.1	10.5576	0.1	87.1
Portugal	(Es)	249.606	+0.112	471 - 740	249.924	249.091	250.206	-2.9	251.856	-3.6	-	-	-
Spain	(Pta)	210.276	-0.373	182 - 370	211.004	209.916	210.686	-2.3	211.521	-2.4	215.461	-2.5	83.1
Sweden	(SKr)	11.9322	+0.0528	229 - 414	11.9735	11.8826	11.9507	-1.9	11.9857	-1.8	12.1022	-1.4	74.1
Switzerland	(SFr)	2.0311	+0.002	301 - 321	2.0329	2.0214	2.0260	2.5	2.0189	2.4	1.9792	2.6	122.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.1
Ecu	-	1.2763	-0.0002	755 - 771	1.2777	1.2731	1.276	0.3	1.2752	0.4	1.2689	0.6	-
SDR†	-	0.921516	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5907	-0.0058	902 - 912	1.6022	1.5902	-	-	-	-	-	-	-
Brazil	(Cr)	1.3534	-0.0066	515 - 553	1.3633	1.3515	-	-	-	-	-	-	-
Canada	(C$)	2.2506	-0.0125	497 - 515	2.2721	2.2497	2.2544	-2.0	2.2622	-2.1	2.2814	-1.4	83.5
Mexico	(New Peso)	9.1366	-0.0658	948 - 783	9.1783	9.0948	-	-	-	-	-	-	-
USA	($)	1.5904	-0.0059	900 - 907	1.6020	1.5900	1.5901	0.2	1.5892	0.3	1.5855	0.3	62.6
Pacific/Middle East/Africa													
Australia	(A$)	2.0755	+0.0045	744 - 766	2.0784	2.0744	2.0791	-2.1	2.0856	-1.9	2.121	-2.2	-
Hong Kong	(HK$)	12.2974	-0.0468	939 - 009	12.3835	12.2939	12.3134	-1.6	12.3277	-1.0	12.2226	0.6	-
India	(Rs)	49.9172	-0.1852	022 - 321	50.2790	49.9022	-	-	-	-	-	-	-
Israel	(Shk)	4.7762	-0.0102	711 - 913	4.7979	4.7711	-	-	-	-	-	-	-
Japan	(Y)	158.542	-0.584	459 - 625	159.360	158.459	157.972	4.3	156.887	4.2	150.632	5.0	187.0
Malaysia	(M$)	4.0734	-0.0158	717 - 751	4.1011	4.0717	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4666	-0.0048	651 - 681	2.4710	2.4651	2.4723	-2.8	2.4827	-2.6	2.517	-2.0	-
Philippines	(Peso)	39.2817	-0.2734	935 - 698	39.3698	39.1935	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9645	-0.0223	630 - 659	6.0080	5.9630	-	-	-	-	-	-	-
Singapore	(S$)	2.3121	-0.0044	107 - 134	2.3242	2.3107	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6239	-0.0161	214 - 263	5.6686	5.6214	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5682	-0.0323	508 - 865	6.6281	6.5508	-	-	-	-	-	-	-
South Korea	(Won)	1251.53	-8.15	117 - 168	1261.77	1251.17	-	-	-	-	-	-	-
Taiwan	(T$)	41.7765	-0.1646	653 - 877	42.0605	41.7653	-	-	-	-	-	-	-
Thailand	(Bt)	39.8761	-0.1559	454 - 107	40.1460	39.9107	-	-	-	-	-	-	-

†SDR rates for Jan 24. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 25		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.6570	+0.0295	550 - 590	10.6675	10.5850	10.62	0.8	10.6297	1.0	10.497	1.5	105.4
Belgium	(BFr)	31.2500	+0.06	380 - 640	31.2750	31.0580	31.1675	0.9	31.16	0.0	30.92	1.1	106.7
Denmark	(DKr)	5.9895	+0.0255	880 - 610	5.9910	5.9410	5.9638	0.1	5.988	0.1	5.9865	0.1	105.3
Finland	(FM)	4.7331	+0.0403	306 - 356	4.7356	4.6765	4.691	0.4	4.7291	0.3	4.7206	0.3	83.1
France	(FFr)	5.2540	+0.016	530 - 550	5.2550	5.2100	5.234	0.5	5.2478	0.5	5.2185	0.7	106.5
Germany	(DM)	1.5183	+0.0056	180 - 185	1.5185	1.5044	1.5112	1.2	1.5135	1.3	1.4946	1.5	108.5
Greece	(Dr)	236.100	+0.65	000 - 200	236.200	234.450	238.45	-15.3	243.85	-13.1	256.25	-8.5	68.4
Ireland	(I£)	1.5716	-0.007	711 - 726	1.5851	1.5711	1.5791	-0.1	1.5717	0.1	1.5709	0.1	-
Italy	(L)	1598.50	+12.87	775 - 925	1599.25	1580.00	1589.38	-2.8	1606.8	-2.6	1640.5	-2.6	73.7
Luxembourg	(LFr)	31.2500	+0.06	380 - 640	31.2750	31.0580	31.1675	0.9	31.16	0.9	30.92	1.1	106.7
Netherlands	(Fl)	1.7014	+0.005	009 - 018	1.7025	1.6881	1.695	1.0	1.6968	1.1	1.6758	1.4	106.7
Norway	(NKr)	6.6458	+0.0293	448 - 468	6.6468	6.5920	6.9143	0.4	6.6368	0.4	6.5908	0.8	97.4
Portugal	(Es)	156.950	+0.85	900 - 000	157.000	155.750	156.925	-4.8	156.675	-4.4	163.375	-4.1	95.4
Spain	(Pta)	132.220	+0.255	190 - 250	132.250	131.250	132.25	-2.6	133.075	-2.6	135.87	-2.8	77.6
Sweden	(SKr)	7.5029	+0.0606	987 - 070	7.5070	7.4223	7.4558	-2.2	7.5404	-2.0	7.6329	-1.7	79.7
Switzerland	(SFr)	1.2772	+0.006	768 - 775	1.2775	1.2630	1.2689	2.2	1.2701	2.2	1.2407	2.9	108.4
UK	(£)	1.5904	-0.0059	900 - 907	1.6020	1.5900	1.596	0.2	1.5892	0.6	1.5855	0.3	88.6
Ecu	-	1.2461	-0.0044	456 - 466	1.2582	1.2456	1.2507	-0.1	1.2466	-0.1	1.2499	-0.3	-
SDR†	-	1.47443	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0002	-	001 - 003	1.0003	1.0001	-	-	-	-	-	-	-
Brazil	(Cr)	0.8510	-0.001	500 - 520	0.8520	0.8500	-	-	-	-	-	-	-
Canada	(C$)	1.4152	-0.0026	149 - 154	1.4193	1.4116	1.4204	-2.2	1.4225	-2.1	1.4379	-1.5	80.2
Mexico	(New Peso)	5.7450	-0.02	200 - 700	5.7700	5.7200	5.7658	-0.2	5.7462	-0.1	5.7476	0.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3050	+0.0078	948 - 055	1.3064	1.2960	1.2986	-2.0	1.3116	-2.1	1.3373	-2.5	90.2
Hong Kong	(HK$)	7.7325	-0.0007	320 - 330	7.7360	7.7310	7.7344	-0.2	7.7347	-0.1	7.7395	-0.1	-
India	(Rs)	31.3875	+0.0125	850 - 900	31.3900	31.3750	31.455	-3.1	31.7125	-4.1	-	-	-
Israel	(Shk)	3.0033	+0.0048	007 - 058	3.0058	2.9948	-	-	-	-	-	-	-
Japan	(Y)	99.6900	+0.015	900 - 200	99.7200	99.2200	99.335	4.1	98.72	3.9	94.975	4.7	148.1
Malaysia	(M$)	2.5613	-0.0004	608 - 616	2.5625	2.5513	2.5567	0.9	2.5548	1.0	2.5388	0.9	-
New Zealand	(NZ$)	1.5509	+0.0029	504 - 516	1.5522	1.5424	1.5515	-2.7	1.5604	-2.5	1.5854	-2.2	-
Philippines	(Peso)	24.7000	-0.08	500 - 500	24.7500	24.6500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-0.0001	503 - 505	3.7507	3.7503	3.7531	-0.6	3.7563	-0.6	3.7679	-0.5	-
Singapore	(S$)	1.4538	+0.0026	533 - 543	1.4543	1.4510	1.4469	4.1	1.4435	2.9	1.4201	2.3	-
S Africa (Com.)	(R)	3.5363	+0.008	355 - 370	3.5385	3.5215	3.5483	-5.1	3.5823	-5.2	3.7383	-5.7	-
S Africa (Fin.)	(R)	4.1300	-0.005	200 - 400	4.1400	4.1200	4.1625	-8.0	4.2075	-7.5	4.44	-7.5	-
South Korea	(Won)	786.950	-2.2	900 - 000	788.500	786.900	792.15	-4.6	793.45	-3.3	811.95	-3.2	-
Taiwan	(T$)	26.2688	-0.006	675 - 700	26.2750	26.2640	26.2948	-0.9	26.3288	-0.9	-	-	-
Thailand	(Bt)	25.0750	-0.005	600 - 900	25.0900	25.0600	25.0875	-0.6	25.1015	-0.4	25.1275	-0.2	-

†SDR rate for Jan 24. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 24. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 25	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	5⅜	5⅜	5⅝	6⅛	7.40	4.50	-
week ago	4⅞	5⅜	5½	5¾	6⅛	7.40	4.50	-
France	5⅜	5½	5¾	6⅛	6⅝	5.00	-	6.40
week ago	5⅜	5½	5⅞	6⅛	6⅝	5.00	-	6.40
Germany	4.80	4.95	5.05	5.30	5.75	6.00	4.50	4.85
week ago	4.83	4.95	5.10	5.30	5.75	6.00	4.50	4.85
Ireland	5⅜	5¾	6¼	6⅝	7⅛	-	-	6.25
week ago	5⅜	5¾	6¼	6⅝	7⅛	-	-	6.25
Italy	8⅜	8⅝	8⅞	9¼	10⅛	-	7.50	8.20
week ago	8⅜	8⅝	9⅛	9⅝	20⅛	-	7.50	8.20
Netherlands	4.84	5.03	5.12	5.35	5.98	-	5.25	-
week ago	4.84	5.03	5.27	5.40	5.90	-	5.25	-
Switzerland	3¾	3¾	4	4¼	4⅝	6.625	3.50	-
week ago	3½	3¾	4⅛	4⅜	4⅝	6.625	3.50	-
US	5⅝	615⅛	6⅜	6⅝	7⅛	-	4.75	-
week ago	5⅜	615⅛	6⅜	6⅝	7⅛	-	4.75	-
Japan	2⅛	2⅛	2⅛	2⅛	2⅛	-	1.75	-
week ago	2⅛	2⅛	2⅛	2⅛	2⅛	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6⅛	6⅝	6⅞	7⅛	-	-	-
week ago	-	6⅛	6⅜	6¾	7⅛	-	-	-
US Dollar CDs	-	5.83	6.17	6.57	7.28	-	-	-
week ago	-	5.83	6.13	6.59	7.23	-	-	-
SDR Linked Ds	-	4.56	4.84	5.25	5.69	-	-	-
week ago	-	4.56	4.94	5.25	5.69	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 6⅛; 6 mths: 6½; 1 year: 7. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 25	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/32 - 4 13/32	5 - 4⅞	5 3/16 - 5 1/16	5 7/16 - 5 5/16	5 13/16 - 5 11/16	6 3/16 - 6 1/16
Danish Krone	5¼ - 5	5¾ - 5½	5⅞ - 5⅝	6¼ - 6	6⅝ - 6⅜	7 7/16 - 7 3/16
D-Mark	4⅞ - 4¾	4⅞ - 4¾	4 13/16 - 4 11/16	5 1/16 - 4 15/16	5⅜ - 5¼	5¾ - 5⅝
Dutch Guilder	6 - 4 15/16	5 - 4 15/16	5⅛ - 5 1/16	5 3/16 - 5 1/16	5⅝ - 5½	5 13/16 - 5 11/16
French Franc	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5½ - 5⅜	5 13/16 - 5 11/16	6 3/16 - 6 1/16	6¾ - 6⅝
Portuguese Esc.	8⅝ - 8 7/16	6 - 8⅞	9⅝ - 9⅜	10 13/16 - 10 7/16	11⅛ - 10⅞	11¾ - 11½
Spanish Peseta	8 - 7⅞	8⅛ - 8	8½ - 8⅜	9 1/16 - 8 15/16	9⅝ - 9½	10½ - 10⅜
Sterling	5 - 5¾	5⅞ - 5¾	6⅜ - 6¼	6¾ - 6 11/16	7¼ - 7	7 13/16 - 7 11/16
Swiss Franc	3 7/16 - 3 5/16	3⅝ - 3½	3¾ - 3⅝	3 13/16 - 3 11/16	4¼ - 4⅛	4⅝ - 4½
Can. Dollar	7 3/16 - 7⅛	7¼ - 7 1/16	6 - 7⅞	8 5/16 - 8 3/16	8⅝ - 8½	9 - 8⅞
US Dollar	5½ - 5⅜	5⅝ - 5½	6 - 5⅞	6 5/16 - 6 3/16	6⅝ - 6⅝	7 3/16 - 7 1/16
Italian Lira	9 - 7½	8½ - 8⅜	8⅝ - 8½	8 13/16 - 8 11/16	9 7/16 - 9 5/16	10 5/16 - 10 3/16
Yen	2¼ - 2 1/16	2¼ - 2⅛	2 5/16 - 2¼	2 3/16 - 2¼	2⅜ - 2 3/16	2⅝ - 2½
Asian $Sing	3⅞ - 3⅝	4⅜ - 4¼	3⅝ - 3½	4 5/16 - 4 3/16	4 9/16 - 4 7/16	4¾ - 4⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.89	93.88	-0.01	93.92	93.84	17,094	45,545
Jun	93.39	93.39	-	93.44	93.33	12,186	44,645
Sep	93.04	93.03	-	93.06	92.98	4,282	33,390
Dec	92.71	92.70	-	92.73	92.68	2,402	10,897

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		93.23	+0.01			0	1402
Jun		92.55	-0.01			0	535
Sep		92.10	-0.01			0	177
Dec		91.76	-0.01			0	0

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.74	94.77	+0.03	94.80	94.73	36890	200256
Jun	94.31	94.34	+0.03	94.37	94.31	35884	162729
Sep	93.90	93.92	+0.02	93.94	93.85	16242	93671
Dec	93.48	93.51	+0.03	93.53	93.47	10805	68353

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.58	90.48	-0.06	90.63	90.42	10963	37891
Jun	90.00	89.87	-0.08	90.03	89.83	4017	23437
Sep	89.60	89.48	-0.09	89.60	89.44	1706	26875
Dec	89.32	89.16	-0.11	89.32	89.16	895	15842

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.79	95.79	+0.02	95.82	95.76	5934	21312
Jun	95.42	95.40	+0.02	95.44	95.37	3671	10937
Sep	95.10	95.11	+0.03	95.11	95.07	782	6119
Dec	94.85	94.86	+0.02	94.86	94.84	110	4140

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.50	93.50	+0.02	93.53	93.47	1614	9596
Jun	93.00	93.00	+0.02	93.02	92.97	883	6271
Sep	92.57	92.58	+0.02	92.58	92.52	194	2964
Dec	92.17	92.16	+0.02	92.17	92.14	89	1809

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 25		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.17	16.81	4.858	2.035	5116	5.444	21.25	502.3	423.0	24.01	4.087	2.012	4.528	3.200	319.0	2.568
Denmark	(DKr)	52.17	10	8.772	2.534	1.061	2669	2.840	11.09	262.0	220.7	12.52	2.132	1.050	2.362	1.669	166.4	1.340
France	(FFr)	59.47	11.40	10	2.889	1.210	3042	3.238	12.64	298.7	251.6	14.28	2.431	1.197	2.693	1.903	189.7	1.527
Germany	(DM)	20.58	3.946	3.461	1	0.419	1053	1.121	4.374	103.4	87.08	4.942	0.841	0.414	0.932	0.659	65.66	0.529
Ireland	(I£)	49.15	9.421	8.264	2.388	1	2514	2.676	10.45	246.9	207.8	11.80	2.009	0.989	2.226	1.573	156.8	1.262
Italy	(L)	1.955	0.375	0.329	0.095	0.040	100.	0.106	0.415	9.819	8.269	0.469	0.080	0.039	0.089	0.063	6.235	0.050
Netherlands	(Fl)	18.37	3.521	3.089	0.892	0.374	939.7	1	3.904	92.27	77.71	4.410	0.751	0.370	0.832	0.588	58.60	0.472
Norway	(NKr)	47.05	9.020	7.912	2.286	0.957	2407	2.562	10	236.4	199.1	11.30	1.923	0.947	2.131	1.506	150.1	1.208
Portugal	(Es)	19.91	3.318	3.347	0.967	0.405	1018	1.084	4.231	100.	84.21	4.780	0.814	0.401	0.901	0.637	63.50	0.511
Spain	(Pta)	23.64	4.531	3.975	1.148	0.481	1209	1.287	5.024	118.7	100.	5.676	0.966	0.476	1.070	0.756	75.40	0.607
Sweden	(SKr)	41.66	7.984	7.003	2.023	0.847	2131	2.267	8.852	209.2	176.2	10	1.702	0.838	1.886	1.333	132.9	1.070
Switzerland	(SFr)	24.47	4.690	4.114	1.189	0.498	1252	1.332	5.199	122.9	103.5	5.874	1	0.492	1.108	0.783	78.04	0.628
UK	(£)	49.69	9.525	8.355	2.414	1.011	2542	2.705	10.56	249.6	210.2	11.93	2.031	1	2.250	1.590	158.5	1.276
Canada	(C$)	22.08	4.233	3.716	1.073	0.449	1130	1.202	4.693	110.9	93.42	5.302	0.903	0.444	1	0.707	70.44	0.567
US	($)	31.25	5.991	5.255	1.516	0.636	1599	1.701	6.642	157.0	132.2	7.503	1.277	0.629	1.415	1	99.69	0.803
Japan	(Y)	31.35	6.009	5.271	1.523	0.638	1604	1.707	6.662	157.5	132.6	7.527	1.281	0.631	1.420	1.003	100.	0.805
Ecu		38.94	7.465	6.548	1.892	0.792	1992	2.120	8.278	195.6	164.7	9.350	1.592	0.784	1.763	1.246	124.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6620	0.6612	-0.0007	0.6655	0.6610	17,543	80,961
Jun	0.6644	0.6635	-0.0011	0.6680	0.6634	136	2,528
Sep	0.6700	0.6693	-	0.6700	0.6693	10	165

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.0075	1.0087	+0.0016	1.0129	1.0074	22,271	74,623
Jun	1.0245	1.0210	+0.0016	1.0250	1.0210	216	8,017
Sep	-	1.0328	-	-	-	10	494

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7866	0.7862	-0.0008	0.7935	0.7868	14,103	38,543
Jun	0.7988	0.7927	-	0.7988	0.7927	166	1,283
Sep	-	0.8010	-	0.8035	-	1	67

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5960	1.5948	-0.0016	1.6014	1.5940	13,829	45,848
Jun	1.6000	1.5940	-	1.6010	1.5940	62	1,293
Sep	-	1.5960	-	1.6010	-	2	6

UK INTEREST RATES

LONDON MONEY RATES

Jan 25	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6½ - 4½	5¾ - 5½	6 3/16 - 6 1/16	6 13/16 - 6 11/16	7 3/16 - 7 1/16	7 13/16 - 7 11/16
Sterling CDs	-	-	6 3/16 - 6¼	6 11/16 - 6⅝	7 1/16 - 7	7⅞ - 7¾
Treasury Bills	-	-	6 1/16 - 6	6¼ - 6⅛	-	-
Bank Bills	-	-	6 3/16 - 6⅛	6 13/16 - 6 11/16	7 - 6⅞	-
Local authority deps.	6 5/16 - 6 3/16	6 5/16 - 6 1/16	6¼ - 6⅛	6⅝ - 6½	7 1/16 - 6 15/16	7⅞ - 7¾
Discount Market deps	6¼ - 5	5¾ - 5½	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2	2½	5¼	5½	5¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 5.8761pc. ECGD fixed rate Stg. Export Finance. Make up day Dec 30, 1994. Agreed rate for period Jan 25, 1995 to Feb 25, 1995, Schemes II & III 7.71pc. Reference rate for period Dec 1, 1994 to Dec 30, 1994, Schemes IV & V 6.402pc. Finance House Base Rate 6½pc from Jan 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.85	92.83	-0.01	92.86	92.80	14252	89710
Jun	92.10	92.08	-0.01	92.11	92.05	15077	75094
Sep	91.65	91.56	-0.01	91.58	91.54	5084	58717
Dec	91.27	91.24	-0.02	91.27	91.22	4037	47677

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9275	0.19	0.08	0.07	0.11	0.75	1.26
9300	0.07	0.04	0.04	0.24	0.96	1.48
9325	0.02	0.01	0.02	0.44	1.16	1.71

Est. vol. total, Calls 8908 Puts 8070. Previous day's open int., Calls 120792 Puts 117074

EMS EUROPEAN CURRENCY UNIT RATES

Jan 25	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.12972	-0.00184	-3.05	10.73	-
Germany	1.94964	1.89926	-0.0014	-2.58	10.20	-
Belgium	40.2123	39.1892	-0.0037	-2.54	10.16	16
Austria	13.7167	13.3623	-0.0097	-2.58	10.20	-
Ireland	0.808628	0.796256	+0.001322	-1.53	9.02	10
France	6.53883	6.57777	-0.00188	0.60	6.72	-5
Denmark	7.43679	7.49616	+0.00049	0.80	6.50	-5
Portugal	192.854	196.381	-0.176	1.83	5.43	-12
Spain	154.250	165.595	-0.299	7.35	0.00	-51
NON ERM MEMBERS						
Greece	264.516	295.814	-0.214	11.83	-4.00	-
Italy	1793.16	2000.32	+8.37	11.55	-3.78	-
UK	0.786749	0.787355	+0.001016	0.08	7.27	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Puts Feb	Puts Mar	Puts Apr
1.500	9.21	0.30	9.29	-	-	0.19
1.525	9.77	6.98	7.16	-	0.12	0.47
1.550	4.35	4.80	5.10	0.03	0.44	0.96
1.575	2.25	2.95	3.52	0.35	1.07	1.76
1.600	0.76	1.61	2.26	1.32	2.16	2.86
1.625	0.16	0.76	1.34	3.12	3.78	4.41

Previous day's vol., Calls 3,550 Puts 4,889 . Prev. day's open int., Calls 230,303 Puts 273,888

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.22	93.16	-0.04	93.22	93.17	38,779	416,898
Jun	92.55	92.50	-0.06	92.57	92.47	71,923	382,386
Sep	92.10	92.06	-0.04	92.10	92.03	30,623	282,550

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.83	93.83	-0.04	93.83	93.82	580	12,116
Jun	93.12	93.16	-0.04	93.13	93.11	328	8,034
Sep	92.67	92.88	-0.07	92.88	92.67	101	3,100

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
9475	0.07	0.11	0.04	0.07	0.05	0.09	0.45	0.48
9500	0.01	0.02	0.01	0.03	0.24	0.25	0.67	0.69
9525	0	0	0	0.01	0.46	0.48	0.91	0.92

Est. vol. total, Calls 11196 Puts 11909. Previous day's open int., Calls 151471 Puts 197884

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9575	0.12	0.07	0.08	0.08	0.42	0.72
9600	0.02	0.03	0.04	0.23	0.63	0.93
9625	0	0.01		0.46	0.86	

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1795 Puts 2015

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	Royal Bk of Scotland	6.25
AIB Bank	6.25	Financial & Gen Bank	7.00	Singer & Friedlander	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	●Smith & Williamson Secs.	6.25
Bank of Baroda	6.25	Girobank	6.25	TSB	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	●United Bk of Kuwait	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Unity Trust Bank Plc	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Western Trust	6.25
Bank of India	6.25	Heritable & Gen Inv Bk.	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25	Yorkshire Bank	6.25
Barclays Bank	6.25	C. Hoare & Co	6.25		
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25	* In administration	
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Banking	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or –	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cn 2nd Pf		97	—	117	85¼	12.1	10.8	–
9¾pc Non-Cum Prf		117¾	+½	137½	107	46.9	10.4	–
Cater Allen	‡†NI	440	—	*530¼	440	148.4	6.0	8.1
Close Bros	‡N	221	+1	*295½	203	210.4	4.3	19.8
Gerrard & Nat	‡†NI	475	—	615	395	231.3	8.3	13.7
Hambros	‡NI	244	+2	473	209	430.7	7.7	15.0
7½pc Cv Pf		111	—	191	89½	143.0	6.4	–
Joseph (L)	‡†N	393	—	443	393	28.8	6.6	11.4
King & Shaxson	‡N	87	–1	170	87	18.0	11.8	9.8
Kleinwort Benson	‡†NI	568	+11	693	424	798.1	4.8	19.5
Rea Bros	‡†NI	65	—	70	63	27.4	1.0	15.0
Schroders	‡†NI	1395	+2	1574	1050	1,395	1.7	12.8
N/V	†N	1263	+3	1458	1043	383.4	1.0	11.5
Singer & Fried	‡†NI	80	—	114	75	165.1	4.6	10.9
Union	‡†NI	88	—	*169	67	23.7	6.3	0.2
Warburg (SG)	‡NI	754	+6	1012	580	1,658	3.6	13.8
Wintrust	‡N	215	—	300	203	18.3	6.0	14.4

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

FOR MERCHANT BANKS SEE BANKS, MERCHANT

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Trans Can Pipe	♥	7⅝	+¼	10⅞	7⅜	1,308	4.9	

SOUTH AFRICANS

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31	—	£34	£13¾	2,022	2.4	22.7
Barlow	♣	£4⅜	-⅞	£5¼	£3¾	939.1	2.1	16.7
Gold Flds Prop R		130xa	—	152	75	14.2	7.7	Φ
MK Props		87½	—	89	65	3.92	13.8	-
SASOL	♥	453	+13	582	209	2,813	3.1	-
SA Brews	†	£13⅜	+⅜	£16⅞	£10	3,788	2.1	11.4
Tiger Oats		739	—	838	538	1,128	2.0	17.7
Tongaat-Hulett	†h	701	—	*725	356¼	638.9	2.0	20.5

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♧ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
2 Dividend yield to date

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xR ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2264. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

CONTRACTS & TENDERS

NOTICE OF TENDER FOR BID OFFERS

(i.e. Avviso di confronto concorrenziale)

The City of Terni (Italy)

pursuant to Article 12 of Law no. 498/92, promotes a tender for bid offer in order to select one or more private partners to form a Company whose stock's majority will belong to the City, with option to assign the stock. The Company will be assigned the management of the structures of **Videocentro** and **Bibliomediateca**, which together constitute the Multimedia Center (i.e. **Centro Multimediale**) of Terni, as provided by **Axis 2, Action 2.6 of the Sole Document of program 1994/96, relating to Social and Regional Conversion Plan of declining industrial areas of Umbria (EEC Reg. no. 2081/93 - Target 2).**

The private partners must have the following requisites:

1. strategic position in the market of telecommunications and multimedia services and products;
2. ability to attract and draw medium and small size industries (i.e. PMI), either national or international, engaged in the market of multimedia services and products;
3. ability to attract entities having relevant industrial interests in the sectors of telecommunication, consumer electronics, data processing (HW and SW), electronic publishing and audio-visual, broadcasting and movie productions;
4. relevant financial capability with respect also to the completion of the Center's structures and possible future investments;
5. availability to assume the commitment of jointly managing the Center for at least 15 years.

Entities who are interested must send by no later than February 15, 1995 their request to participate in the tender, with enclosed documentation showing the above mentioned subjective and objective requisites, to the address of

Assessorato al Centro Multimediale,
COMUNE DI TERNI (Italy),
where further information can be acquired.
Telephone +39-744-549825; Fax +39-744-549717.

THE MAYOR
Prof. Gianfranco Ciaurro

PUBLIC NOTICES

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

CALL FOR TENDERS
for the Purchase of the Industrial Plant of "VOMVICRYL SOC.ANON. INDUSTRIELLE ET COMMERCIALE DES FIBRES ACRYLIQUES" of Athens, Greece.

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities", of 1, Skoulenou Str., Athens, Greece, in its capacity as Liquidator of "VOMVICRYL SOC.ANON. INDUSTRIELLE ET COMMERCIALE DES FIBRES ACRYLIQUES" a company having its registered office in Athens, Greece (the "Company"), currently under special liquidation according to the provisions of article 46a of Law 1892/1990 by virtue of Decision No. 70/93 of the Athens Court of Appeal, upon instructions of the creditors, representing more than 51% of the claims against the Company

announces a call for tenders

for the purchase of the Industrial Plant of the Company described below (the "Auction"), which is being sold as a single entity.

BRIEF INFORMATION ABOUT THE COMPANY

The company was established in 1973 and remained in operation until 1990 when it was declared bankrupt. On 26.3.93 it was placed under special liquidation according to the provisions of article 46a of Law 1892/90. Its objects included the production, processing and marketing of all types of fibres and textiles. The company is not in operation, neither is any personnel being employed.

INDUSTRIAL PLANT OFFERED FOR SALE

This is an industrial plant in Aviaki Fthiotida (along Lamia-Volos National Road), standing on a plot of 190,718 sq. m., including buildings of 23,296 m². and containing machinery, mechanical equipment, furniture and other equipment. The Company's trade name is also being offered for sale, as part of the industrial plant.

OFFERING MEMORANDUM - FURTHER INFORMATION

Interested parties may obtain a copy of the Offering Memorandum in respect of the Company and its assets upon signing a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTION

1. The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990 (as supplemented by art. 14 of L.2000/91 and subsequently modified) the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions.
2. Binding Offers: Interested parties are hereby invited to submit binding offers, not later than 20th February 1995, 12.00 hours, to the Athens Notary Public Mr Evangelos Kazafillis, 7 Kratinou Str. 10551 Athens, Tel: +30-1-321.67.41 and +30-1-324.33.93.

   Offers should expressly state the offered price and the detailed terms of payment (in cash or in instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate if any). In the event of not specifying a) the way of payment, b) whether the instalments bear interest and c) the interest rate then it shall be deemed that a) the offered price is payable immediately in cash, b) the instalments shall bear an interest and c) the interest rate shall be the legal rate in force. Binding offers submitted later than the above date, shall neither be accepted nor considered. The offers shall be binding until the adjudication. Submission of offers in favour of third parties to be appointed at a later stage shall be accepted under the condition that express mention is made in this respect upon submissions and that the offeror shall give a personal guarantee in favour of such third party.
3. Letters of Guarantee: Binding offers must be accompanied by a Letter of Guarantee, issued, in accordance with the sample of Letter of Guarantee contained in the Offering Memorandum, by a bank legally operating in Greece, to remain valid until the adjudication. The amount of the Letter of Guarantee must be Drs. THREE HUNDRED AND FIFTY MILLION (350.000.000).

   The Letters of Guarantee shall be returned after adjudication.
4. Submissions: Binding offers together with the Letter of Guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authorised agent.
5. Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in his office, on 20th February 1995, at 14.00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
6. As highest bidder shall be considered the participant, whose offer will be judged, by creditors representing over 51% of the claims against the Company (the "Creditors"), upon suggestion by the Liquidator, to be in the best interests of all of the creditors of the Company. For the purposes of evaluation, an offer to be paid in instalments shall be assessed on the basis of its present value, to be calculated by employing a 22% annual discount interest rate, compounded yearly.
7. The Liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms, which may be suggested by the Creditors and agreed upon. In the event of the highest bidder not complying with such obligation, the Letter of Guarantee shall be forfeited as a penalty. Adjudication shall be deemed to take effect upon execution of the contract of sale.
8. All costs and expenses of any nature in respect of the participation in the Auction and the transfer of assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
9. The Liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings of the Auction.

   The Liquidator, the Creditors and the Notary Public shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for the adjudication nor the participants shall acquire any right, power or claim from this Call and/or their participation in the Auction against the Liquidator and/or the Creditors for any reason whatsoever.
10. This invitation has been drafted in Greek and translated into English. In any event, the Greek version shall prevail.

To obtain the Offering Memorandum and for any further information please apply to the Liquidator of the Company: "ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities", address: 1, Skoulenou Street, 105 61 Athens, Greece, tel: +30-1-323.14.84, fax: +30-1-321.79.05 (attention Mrs Marika Frangaki) or the Liquidator's agent Mrs. Ioulia Barakakou, 44 Omirou Str., Greece tel: +30-1-361.53.66, fax: +30-1-364.72.37.

LONDON STOCK EXCHANGE

MARKET REPORT

Bid speculation shifts to the banking sector

By Terry Byland, UK Stock Market Editor

The UK stock market yesterday continued its recovery, although displaying its underlying fragility by a sudden downswerve at midsession before it was confirmed that a missile fired from Norway was merely part of a scientific research programme. Wall Street, which also flinched in the face of the first missile reports, was edging ahead when London closed, with both markets scanning the speech by Mr Alan Greenspan, chairman of the Federal Reserve, to the US Senate finance committee.

The FT-SE 100-share Index ended the session at 2,982.2, a net gain of 13.2. But the uncertainty across the market was reflected in a dip of 4.8 to 3,390.8 in the FT-SE Mid 250 Index. The second line stocks, which feature in the Mid 250 index, had no time to rally from the mid-session setback on the missile reports.

Takeover speculation provided the highlights, with market attention switching to the banking sector. Nearly 26m shares in TSB were traded as dealers recited a long list of possible bidders. Banque National de Paris was the first name out of the hat, but it was quickly followed by a host of others. Kleinwort Benson was another to join in the takeover excitement in the banking sector, first set alive this week by renewed demand for S.G. Warburg shares and its Mercury Asset Management arm.

Hectic trading was also seen in the telecommunications sector, where Cable and Wireless again responded vigorously to the admission by Veba, of Germany, that it was holding discussions with several other international telecoms groups, with a view to taking a role in the German telecoms industry after privatisation.

The pharmaceuticals sector, where Glaxo's £9.4bn approach to Wellcome first set off the market's bid alarms, remained busy, although share prices stayed around the new levels established this week.

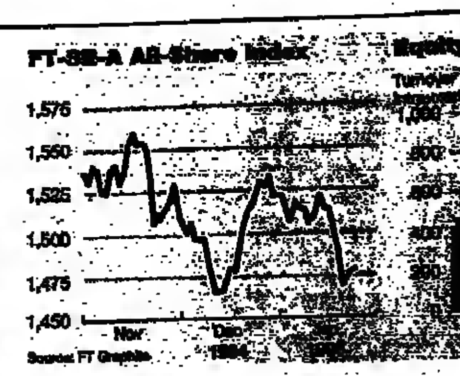
The trading session started well, with equities opening firmly on the back of further recoveries in Far Eastern markets and a calm performance overnight on Wall Street. The stock market was also helped by a good reception for the day's auction of £2bn of British government securities.

After peaking early at 2,986.5 on the Footsie, up more than 17 points, the market slowed down and then fell briefly into negative territory as the market reacted with shock to the first reports from Norway.

Trading volme was slow at first, but the Seaq total was boosted strongly when a fresh host of very large delayed deals crossed the screens. The trades, whose reporting had been legitimately held back for five days under Stock Exchange regulations, included 10.5m shares in Hanson, 4.1m in BAT Industries, 4.8m in Tesco and 3.8m in Argyll. They were believed to be the meat of large programme trades transacted last week, probably by Goldman Sachs, the UK investment bank, on behalf of an investment client.

The delayed reporting of these very large trades continued to distort trading. Yesterday's Seaq total of 636.8m shares compared with 660.5m on Tuesday. Both are higher than recent daily averages and Stock Exchange data disclosed that Tuesday's retail, or customer, business in equities was worth £1.9bn, a level associated with bull market experiences. Interest rate worries took a back seat yesterday, although attention was still focused on tomorrow's US GDP numbers.

The spate of takeover speculation in pharmaceuticals, banks and telecommunications stocks has not come as a complete surprise to the London market. All three sectors have been identified as international business markets ripe for reshaping, with the London-based companies inevitably in the front line of the struggle.



Key Indicators

Indices and ratios

FT-SE 100	2982.2	+13.2
FT-SE Mid 250	3390.8	-4.8
FT-SE-A 350	1493.9	+4.7
FT-SE-A All-Share	1479.59	+4.11
FT-SE-A All-Share yield	4.13	(4.14)
FT Ordinary index	2251.7	+0.4
FT-SE-A Non Fins p/e	17.45	(17.43)
FT-SE 100 Fut Mar	2993.0	+21.0
10 yr Gilt yield	8.60	(8.60)
Long gilt/equity yld ratio	2.15	(2.14)

Best performing sectors

1. Banks, Retail ... +2.5
2. Tobacco ... +1.7
3. Water ... +1.7
4. Retailers, Food ... +1.0
5. Telecommunications ... +0.8

Worst performing sectors

1. Pharmaceuticals ... -0.8
2. Life Assurance ... -0.7
3. Textiles & Apparel ... -0.7
4. Spirits, Wines & Cider ... -0.5
5. Paper, Pckg & Printing ... -0.5

Heavy trade in TSB

The vague bid stories that began to circulate around TSB at the end of last week erupted yesterday. They drove TSB shares up to their highest level since March 1994 and produced the third-biggest day's trading in the stock.

At the close the shares were 16 higher at 248p, having tonched a session's high of 253½p. Turnover reached 26m shares, with activity in the traded options market equivalent to a further 6.8m.

A surge in the share price at the start of trading yesterday produced a wave of rumours that an announcement was imminent. Dealers produced a long list of supposed bidders, kicking off with Banque Nationale de Paris and quickly moving on to include BAT, BT, Marks and Spencer and Prudential Group.

A statement from TSB saying it knew of no reason for the sharp rise in the shares failed to dampen the speculation. Although acknowledging that such heavy turnover indicated some sort of corporate move could be imminent, banking specialists were sceptical about the stories.

"An exit price of 300p would value TSB at £4.3bn; BNP's market capitalisation is only £4.8bn; a bid would strain BNP," said one analyst. He pointed out that apart from Japanese, French and UK banks, it was difficult to see who had the firepower to launch a bid.

TSB was floated in the mid 1980s but lost its way after disastrous acquisitions including Hill Samuel, the merchant bank, bought just before the great crash of October 1987, and the Target unit trust group.

Banks surge

The financial areas were ablaze with dealers talking of a big bid about to hit the banking or merchant banking sectors. TSB was the market's favourite to attract a bid, but there was also strong speculation that one of the large merchant banks, S.G. Warburg or Kleinwort Benson, were prime targets.

Dresdner, the German bank, was again being spoken of as about to bid for either of the two banks mentioned, possibly in an attempt to match the great success of Deutsche Bank's link with Morgan Grenfell, the UK merchant bank it acquired some years ago.

Warburg moved up 6 to 754p and those of its asset management subsidiary Mercury put on 18 at 787p. Turnover in both stocks was much lower than of late, however, with dealers pointing instead to the above average activity in Kleinwort Benson, where 1.8m shares were traded. Kleinwort touched 605p at one point in the session, eventually closing 11 up at 599p. Another story doing the rounds of the market was that ING, the Dutch insurance group, was about to launch a bid for Kleinwort.

In the mainstream banks, Standard Chartered, where Lloyds Bank retains a 4.7 per cent stake, was also being touted as a bid candidate and the shares raced np 10 to 265p, helped by a strong Hong Kong market. Royal Bank of Scotland jumped 14 to 393p.

Cahle and Wireless raced ahead to close 14 np at 378p, responding to vague takeover stories, including rumours that Veba, the German telecoms group, is about to take a 10 per cent stake in Mercury, C&W's telecoms division. C&W stock was also stimulated by the strong performance of all Far Eastern markets.

Among utilities, Severn Trent advanced 14 to 502p in the wake of a buy note issued by UBS, the securities house. The recs were only lightly traded in spite of vague talk that a bidder may be about to emerge for South Western Electricity. SWEB shares eased 2 to 812p.

Pharmaceuticals giant Glaxo slipped 8 to 600p, reflecting the arbitrage with its bid target, Wellcome. Assuming the bid goes ahead the latter, which eased a penny to 954p on active two-way business that prompted turnover of 8.5m shares, offers a cheap way into Glaxo. However, Lehman Brothers has upgraded its previously lukewarm stance on Glaxo on the basis of the huge cost savings that a merger would offer. The house now believes the company can provide earnings per share growth of between 8 and 10 per cent a year.

Renters improved 6½ to 430p, with Henderson Crosthwaite voicing its enthusiasm for the stock.

RTZ, the world's biggest mining group, rose 6 to 769p as NatWest Securities raised its forecasts for the company. It argued that the stock was on a discount to the market and at the bottom of its trading range.

Yorkshire-Tyne Tees Television shot up 26 to 415p on thin volume because of a bear squeeze.

Paint manufacturer Kalon tumbled 10 to 99½p on worries that it might lose its contract with Texas Homecare following news of the proposed Sainsbury acquisition.

British Aerospace jumped a further 12½ to 472p, with the stock market continuing to focus on the group's chances of a big reduction in turbo prop losses. BAe is facing strong orders for its Jetstream range, and could shortly announce a link-up with Franco-German joint venture ATR. BAe shares have risen almost 6 per cent in eight trading days to ontperform the Footsie by 5 per cent.

Textile leaders were flagging as investors considered the enduring pressures of high raw material prices and economic problems in some of its markets. Coats Viyella shed 1½ to 177p, with some nervousness about the new finance director overhanging sentiment. Courtaulds Textiles declined 3 to 443p. Allied Textiles slid 11 to 502p in spite of a 24 per cent profits rise.

Argyll improved 2½ to 280p, with turnover of 16m shares helped by three large block trades. Takeover talk persisted, as it did with United Biscuits, which rose 12½ to 321½p.

Conglomerate Hanson, which has been seen as a potential bidder, was steady at 233p. The shares were restrained by some exceptionally heavy delayed trades which were initially carried out five trading days before but, under stock market regulations, did not need to be reported until yesterday. Turnover of 14m shares included a block of 9m dealt at 244½p.

Channel tunnel operator Eurotunnel advanced 9 to 297p. Press reports of an increase from two to four runs a day for through Eurostar trains to the Continent helped sentiment as dealers ticked off the days to February 9 when the stock formally enters the CAC-40, the French bourse's leading equity index.

Talk of a breakthrough on costs at USAir left British Airways 1½ higher at 359p in 3.1m turnover. BA has a 24.9 per cent stake in the troubled US airline.

MARKET REPORTERS:
Steve Thompson,
Peter John,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Jan 25	Jan 24	Jan 23	Jan 20	Jan 19	Yr ago	*High	*Low
Ordinary Share	2251.7	2251.3	2238.3	2260.9	2309.9	2641.2	2713.6	2238.3
Ord. div. yield	4.65	4.64	4.66	4.57	4.52	3.52	4.66	3.43
Earn. yld. % full	6.82	6.80	6.84	6.71	6.63	3.98	6.84	3.92
P/E ratio net	16.98	17.00	16.91	17.24	17.44	31.67	33.43	16.91
P/E ratio nil	16.44	16.47	16.37	16.69	16.89	29.35	30.80	16.37

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/02/94, low 49.4 26/6/40. FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2250.8	2245.1	2250.9	2256.6	2253.6	2251.3	2245.0	2242.1	2250.8	2259.1	2242.9

	Jan 25	Jan 24	Jan 23	Jan 20	Jan 19	Yr ago
SEAQ bargains	22,348	23,192	23,573	18,964	18,416	35,725
Equity turnover (£m)†	-	1867.7	1514.3	1449.2	1413.4	1564.3
Equity bargains†	-	30,157	31,858	28,844	27,505	40,551
Shares traded (ml)†	-	677.1	531.9	553.5	610.3	741.5

†Excluding intra-market business and overseas turnover.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	2971.0	2993.0	+21.0	3005.0	2961.0	22776	59873
Jun	2992.0	3009.0	+21.0	2992.0	2992.0	1	8505
Sep		3027.0	+21.0			0	36

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		3360.0				0	2644

■ FT-SE 100 INDEX OPTION (LIFFE) (2983) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.
100	F.P.	4.99	99	90½	Asset Man Inv	99		
-	F.P.	1.78	7	5½	Cala. Media Wts	6	-½	
-	F.P.	64.8	173	133	Clydeport	157		RN2.5
$10	F.P.	34.2	625	570	First Russian Fr	570		
500	F.P.	45.3	512	490	Gartmore Mkt Uts	510		
-	F.P.	27.7	104	94	Hill Hire	102	-1	N3.3
100	F.P.	27.3	103	100	Kiln Capital	101	+1	F4.0
-	F.P.	27.0	55	51¼	Lazard Bdls India	51¼	+¼	
-	F.P.	3.17	32½	29¾	Do Warrants	30½		
35	F.P.	22.1	36	34	MCIT S Cap	34		
35	P.P.	23.4	36	36	MCIT S Inc	36		
53	F.P.	5.55	3½	3	MICE Group	3¼		bN0.1
100	F.P.	41.0	94	81	Matheson Lloyds	82		
-	F.P.	19.0	130	86	Pentex Oil	86	-6	
182	F.P.	1,487.4	186	167	TeleWest	173	-1½	
100	F.P.	17.6	102	102	Wellington Un.	102		
-	F.P.	262.1	128	118	Woodchester Units	125		

FT GOLD MINES INDEX

	Jan 24	% chg on day	Jan 23	Jan 20	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1783.86	-1.3	1807.97	1837.82	2158.39	2.35	2687.90	1782.06
■ Regional Indices								
Africa (16)	2732.42	-2.2	2794.08	2790.00	2794.55	5.02	3711.97	2304.45
Australasia (7)	2173.37	-1.7	2210.66	2283.83	2610.71	0.78	2896.58	2128.58
North America (11)	1447.13	-0.7	1457.82	1492.98	1874.88	0.78	1924.91	1388.34

Copyright, The Financial Times Limited 1995.
Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: Jan 25: 203.9 ; day's change: -2.9 Year ago: 285.3 † Partial.
Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Jan 25	Day's chge%	Jan 24	Jan 23	Jan 20	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	2982.2	+0.4	2969.0	2954.2	2995.0	3436.1	4.34	7.45	15.86	3.28	1139.80
FT-SE Mid 250	3390.8	-0.1	3395.6	3394.3	3424.8	4079.7	3.73	6.45	18.51	6.72	1280.08
FT-SE Mid 250 ex Inv Trusts	3407.5	-0.1	3412.5	3403.0	3438.7	4093.4	3.87	6.95	17.28	7.04	1284.62
FT-SE-A 350	1493.9	+0.3	1489.2	1482.4	1502.2	1738.6	4.20	7.22	16.40	1.95	1168.62
FT-SE-A 350 Higher Yield	1519.4	+0.3	1515.5	1509.6	1535.8	1748.9	5.25	7.71	15.50	2.74	977.26
FT-SE-A 350 Lower Yield	1468.0	+0.4	1462.7	1454.9	1468.5	1684.4	3.78	6.72	17.42	1.17	968.40
FT-SE SmallCap	1713.02	-0.1	1714.23	1714.10	1729.84	2028.66	3.38	5.42	19.58	1.99	1340.46
FT-SE SmallCap ex Inv Trusts	1696.67	-0.1	1698.46	1700.21	1710.66	1980.15	3.57	7.16	17.74	2.12	1332.50
FT-SE-A ALL-SHARE	1479.59	+0.3	1475.48	1469.23	1488.38	1723.99	4.13	7.16	16.62	1.91	1177.07

FT-SE Actuaries All-Share

	Jan 25	Day's chge%	Jan 24	Jan 23	Jan 20	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(25)	2632.78	+0.3	2625.38	2602.63	2630.28	2616.62	3.57	5.16	24.56	0.00	1062.90
12 Extractive Industries(7)	3526.89	+0.6	3505.41	3478.97	3525.38	3949.56	3.44	5.52	22.40	0.00	973.16
15 Oil, Integrated(3)	2630.65	+0.2	2625.12	2600.19	2624.71	2534.75	3.70	6.71	21.61	0.00	1086.35
16 Oil Exploration & Prod(15)	1866.11	+0.3	1860.47	1857.13	1866.24	1827.14	2.62	‡	‡	0.00	1079.70
20 GEN INDUSTRIALS(279)	1786.38	-0.2	1789.47	1790.05	1816.01	2180.25	4.36	5.96	20.05	1.12	919.42
21 Building & Construction(36)	942.34	-0.4	946.35	947.09	953.84	1486.46	4.12	6.52	20.06	0.00	744.06
22 Building Matls & Merchs(31)	1689.55	-0.2	1693.00	1688.17	1720.52	2360.54	4.51	6.54	18.45	0.20	804.19
23 Chemicals(23)	2205.36	-0.3	2212.55	2223.93	2255.05	2411.22	4.28	4.93	25.15	0.50	985.56
24 Diversified Industrials(17)	1758.28	-0.1	1759.66	1756.04	1783.27	2110.18	5.30	6.47	17.83	1.84	911.34
25 Electronic & Elect Equip(36)	1822.80	-0.1	1820.47	1827.19	1847.97	2205.84	4.16	7.01	16.96	1.48	901.42
26 Engineering(72)	1720.13	-0.2	1723.16	1726.42	1751.86	1924.54	3.51	5.68	20.65	2.12	992.75
27 Engineering, Vehicles(13)	2031.61	+0.1	2028.60	2016.97	2049.71	2401.31	4.92	1.56	80.00†	0.16	994.59
28 Paper, Pckg & Printing(28)	2724.83	-0.5	2736.95	2737.83	2766.78	2930.38	3.23	5.91	19.61	0.00	1076.66
29 Textiles & Apparel(21)	1474.84	-0.7	1484.96	1489.96	1518.38	1973.40	4.60	6.65	19.54	0.17	844.50
30 CONSUMER GOODS(95)	2743.56	-0.1	2745.82	2747.01	2745.11	3021.28	4.40	7.40	15.71	7.20	955.92
31 Breweries(18)	2195.91	+0.7	2180.26	2168.86	2192.97	2425.92	4.36	8.14	14.82	10.36	1005.29
32 Spirits, Wines & Ciders(10)	2490.56	-0.5	2502.80	2491.71	2542.34	3150.97	4.58	7.65	15.12	26.30	860.52
33 Food Producers(24)	2262.21	+0.1	2259.87	2249.13	2272.58	2567.28	4.32	7.79	15.25	3.92	964.12
34 Household Goods(10)	2412.81	+0.3	2405.21	2403.33	2417.31	2759.28	3.69	7.47	16.11	0.45	874.16
36 Health Care(18)	1569.28	+0.4	1562.48	1560.32	1584.89	1891.09	3.16	3.52	39.49	0.58	916.77
37 Pharmaceuticals(13)	3282.84	-0.8	3309.68	3330.42	3243.74	3161.36	4.10	6.51	17.79	0.00	1053.09
38 Tobacco(2)	3660.48	+1.7	3597.78	3610.04	3686.53	4353.94	5.87	9.95	10.97	0.00	834.99
40 SERVICES(251)	1831.65	+0.2	1828.23	1816.80	1845.30	2170.79	3.43	7.36	16.41	2.45	909.00
41 Distributors(32)	2440.89	-0.1	2444.20	2434.03	2455.81	3244.43	3.83	12.73	9.51	1.53	853.46
42 Leisure & Hotels(29)	2036.86	-0.1	2038.69	2033.71	2067.22	2809.65	3.54	5.91	20.24	7.03	1013.43
43 Media(43)	2674.27	+0.4	2662.33	2626.32	2665.40	3207.09	2.64	5.61	20.11	1.76	931.78
44 Retailers, Food(16)	1779.87	+1.0	1761.80	1755.24	1773.42	1780.60	3.70	8.95	13.70	1.85	1075.27
45 Retailers, General(45)	1501.16	-0.3	1505.65	1499.39	1521.85	1847.65	3.57	7.75	16.00	1.51	817.99
48 Support Services(35)	1455.63	+0.2	1453.35	1455.14	1478.66	1617.12	2.88	6.59	17.87	0.30	891.68
49 Transport(21)	2147.82	+0.2	2142.80	2118.44	2173.24	2721.58	3.96	6.80	17.32	3.32	849.63
51 Other Services & Business(7)	1214.53	-0.1	1213.41	1213.41	1214.16	1321.55	3.68	3.78	36.60	2.62	1056.02
60 UTILITIES(37)	2357.10	+0.5	2345.86	2331.71	2364.88	2659.16	4.55	7.91	15.41	6.06	928.41
62 Electricity(17)	2474.88	-0.2	2479.00	2467.23	2483.68	2521.96	3.94	10.22	11.67	17.55	1058.10
64 Gas Distribution(2)	1981.64	-0.2	1985.21	2007.60	2033.81	2296.42	6.05	‡	‡	0.00	930.76
66 Telecommunications(5)	1977.76	+0.8	1961.11	1930.58	1973.71	2358.81	4.13	7.56	16.16	0.00	868.35
68 Water(13)	1707.85	+1.7	1679.88	1686.15	1698.01	2004.45	5.86	14.06	7.76	4.62	870.85
69 NON-FINANCIALS(687)	1607.75	-0.1	1609.20	1600.89	1618.04	1693.17	4.09	8.85	17.45	2.48	1150.06
70 FINANCIALS(119)	2053.75	+1.3	2027.34	2010.15	2056.62	2643.36	4.75	9.83	11.83	0.25	820.09
71 Banks, Retail(9)	2692.18	+2.5	2627.22	2582.88	2662.35	3425.42	4.55	10.63	10.77	0.00	810.74
72 Banks, Merchant(6)	3023.85	-0.7	3004.16	2961.55	3010.23	3685.68	3.67	9.23	12.66	0.00	918.40
73 Insurance(27)	1122.34	+0.3	1119.11	1106.51	1191.85	1580.71	5.68	10.50	10.87	0.27	776.24
74 Life Assurance(6)	2225.44	-0.7	2242.18	2304.59	2333.27	2790.54	5.74	8.37	14.57	0.00	861.27
77 Other Financial(23)	1858.30	-0.2	1860.50	1860.20	1877.28	2194.72	4.02	7.86	15.57	1.48	1003.62
79 Property(46)	1340.45	-0.1	1342.25	1341.88	1357.19	1610.28	4.49	7.94	15.77	0.42	778.01
80 INVESTMENT TRUSTS(133)	2544.33	....	2543.27	2525.30	2582.82	3078.71	2.45	2.10	47.70	2.31	980.41
89 FT-SE-A ALL-SHARE(919)	1479.59	+0.3	1475.48	1469.23	1488.38	1723.99	4.13	7.16	16.62	1.91	1177.07
FT-SE-A Fledgling	987.68	-0.1	988.90	989.53	995.13	-	2.89	-	-	1.35	989.01
FT-SE-A Fledgling ex Inv Trusts	991.81	-0.1	993.32	994.50	998.13	-	3.05	-	-	1.50	993.40

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2971.0	2965.6	2977.7	2988.3	2983.0	2978.8	2971.5	2966.2	2981.6	2986.5	2964.4
FT-SE Mid 250	3389.5	3393.8	3395.6	3396.2	3391.4	3390.9	3389.2	3386.8	3389.9	3400.4	3386.6
FT-SE-A 350	1490.4	1487.7	1492.6	1496.0	1494.2	1492.6	1489.6	1488.0	1493.5	1496.1	1487.3

Time of FT-SE 100 Day's high: 10.52am Day's low: 8.49am . FT-SE 100 1994 High: 3520.3(2/2/94) Low: 2876.6(24/6/94).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pharmaceuticals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-27.3
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks, Retail	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE-A 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE-A All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 25 / Sch)

BELGIUM/LUXEMBOURG (Jan 25 / Frs.)

CZECH REP (Jan 25 / Koruna)

DENMARK (Jan 25 / Kr)

FINLAND (Jan 25 / Mks)

FRANCE (Jan 25 / Frs.)

GERMANY (Jan 25 / Dm.)

GREECE (Jan 25 / Drachma)

ITALY (Jan 25 / Lira)

NETHERLANDS (Jan 25 / Fls.)

NORWAY (Jan 25 / Kroner)

POLAND (Jan 24 / Zloty)

PORTUGAL (Jan 25 / Escudo)

SPAIN (Jan 25 / Pta.)

SWEDEN (Jan 25 / Kronor)

SWITZERLAND (Jan 25 / Frs.)

TURKEY (Jan 25 / TL Lira)

PACIFIC

JAPAN (Jan 25 / Yen)

HONG KONG (Jan 25 / H.K.$)

INDONESIA (Jan 25 / Rupiah)

MALAYSIA (Jan 25 / MYR)

NEW ZEALAND (Jan 25 / NZ $)

SINGAPORE (Jan 25 / S$)

AUSTRALIA (Jan 25 / Aust$)

SOUTH KOREA (Jan 25 / Won)

TAIWAN (Jan 25 / TW $)

THAILAND (Jan 25 / Baht)

AFRICA

SOUTH AFRICA (Jan 25 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jan 25 / Can $)

4 pm close

MONTREAL (Jan 25 / Can $)

4 pm close

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994/95, except Toronto & Montreal (daily). ♯ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT FREE ANNUAL REPORTS SERVICE

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT3085. Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822. O calling from outside the UK, dial +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent on the next working day, subject to availability.

INDICES

US INDICES

Dow Jones

Standard and Poors

NYSE Comp.

Amex Mkt Val

NASDAQ Cmp

■ RATIOS

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40							
Jan	1788.0	1798.0	+11.0	1804.0	1784.0	25,418	21,679
Feb	1793.5	1808.5	+11.0	1812.5	1792.5	3,682	8,014
■ DAX							
Mar	2032.0	2028.0	-17.5	2046.5	2023.0	18,431	N/A
Jun	2049.5	2047.5	-16.5	2063.0	1048.0	237	N/A

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ OMX							
Jan	1157.00	1159.90	-2.10	1164.50	1150.00	8,023	11,474
Feb	1162.50	1150.00	-15.0	1171.00	1150.00	7,631	11,724
■ SOFFEX							
Feb	2540.0	2539.0	-0.40	2544.0	2522.5	5,064	16,442
Mar	-	2546.0	-	-	-	0	417

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Mar	468.25	466.45	-1.90	468.35	466.30	44,387	198,974
Jun	470.90	470.40	-2.10	470.90	470.30	394	10,720
■ Nikkei 225							
Mar	18280.0	18210.0	+50.00	18440.0	18180.0	48,741	122,416
Jun	18300.0	18250.0	+70.00	18460.0	18220.0	820	6,576

Open interest figures for previous day.

~ Sat Jan 21: Taiwan Weighted Price 6431.99; Korea Comp Ex 935.11. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ✦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 25 – 2030.97 –0.70

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ✦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, January 25, 1995

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Osaka	21.4m	555	+86	Taisei Corp	12.1m	680	+18
Sumitomo Constn	17.5m	675	+76	Daisue Constn	10.3m	636	+42
Obayashi Corp	14.7m	770	+40	Fudo Constn	10.1m	900	+68
Aoki Corp	14.5m	508	+47	Penta Ocean Constn	9.9m	640	+71
Okumura Corp	13.2m	919	+24	Toyo Constn	8.3m	630	+85

4 pm close January 25

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅜	11⅞	AAR	0.48	3.4	25	456	14¼	14	14⅛	+⅛
21⅞	12⅝	A L Labs A	0.18	0.9	48	306	20¾	20¼	20¼	
79⅜	57⅝	AMP	1.88	2.3	22	5631	73⅝	70⅜	72¾	+1
72¾	49⅛	AMR			23	3615	58⅝	21⅜	58⅜	+¾
56⅛	38⅝	ASA	2.00	4.5	29	231	45	44⅜	44⅜	-⅛
33⅞	25⅛	AbbtL	0.76	2.3	17	6309	33⅝	33	33½	+½
15¾	11⅜	Abitibi Pr	0.50	3.7	12	10	13¾	13⅝	13⅝	
23⅞	17⅛	ABM Ind	0.60	2.6	14	17	23⅜	23⅜	23⅜	+⅛
18	11⅛	Acptncetn			12	175	16½	16⅛	16⅜	+⅛
21	20⅜	ACE Ltd	0.44	1.8	24	799	24½	23⅝	23⅞	+⅜
12½	9	ACM Gvt In	1.09	11.7	6	258	8⅞	9¼	9⅜	
10⅛	6⅞	ACM GvOpp	0.80	11.8		104	7⅜	7¼	7¼	
10⅝	6¼	ACM Gvt Sp	0.96	13.2		51	7¼	7⅛	7¼	
12	7⅝	ACM Gvt Se	1.09	13.5		461	8⅝	8⅛	8⅛	-⅛
11¾	7⅜	ACM Man	1.08	13.1		70	8¼	8⅛	8¼	
9¼	7¼	ACM Managd	0.72	9.8		58	7½	7⅛	7⅜	-⅛
15½	6¾	AcmeClv	0.44	2.8	6	959	u16¼	15	15⅞	+¼
18⅞	6½	Acme Elect			18	216	18	17¾	17⅞	
33½	23	Acordia	0.60	1.9	16	41	32	31¾	31¾	-¼
13¾	5¾	Actava	0.36	4.1	2	867	9⅝	8¾	8⅞	+⅛
18⅜	11¼	Acuson			25	540	15⅝	15	15⅝	+⅛
18⅜	16½	Adams Expr	0.36	2.3	0	168	16	15⅞	15⅞	
84½	46½	Ad Micro	3.00	4.9		53	61½	61	61¼	-1⅜

Continued on next page

4 pm close January 25

NYSE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
		Continued from previous page								
17⅞	10⅞	SFeGd			23	8175	11⅞	d10⅞	11⅛	-⅛
35⅛	30½	SFePPpe	2.80	6.3	8	301	34⅛	33¾	33¾	-1
28¼	12⅛	SanFeP	0.16	0.6	17	51630	18¼	16	18⅛	+⅜
26⅛	19⅞	SaraLee	0.69	2.8	52	4081	24¾	24⅞	24⅞	-⅛
50⅛	41	Scana Corp	2.82	6.5	12	380	43¾	43⅝	43⅝	-⅛
20½	12½	Scecrp	1.00	6.5	16	4740	15½	15⅜	15½	+⅛
45½	61¾	ScherérRP			20	57	42⅝	43⅛	43⅝	+⅝
75⅞	54½	SchPl	0.04	2.7	15	2218	74½	74	74⅜	-¼
63	20	Schlmb	1.20	6.3	22	16553	54¼	53	54	+1⅞
39⅝	23¼	Schwab(C)	0.36	0.9	16	4376	u40¼	37⅞	39¼	+1¼
10¾	6⅞	Schwitzer			7	7	8⅞	8¼	8¼	-⅛
22¼	12½	SciAtl	0.06	0.3	34	7636	18⅞	17½	18⅜	-⅝
18¼	13	Scotman	0.10	0.6	13	47	18⅛	17¾	17¾	
74½	37¼	ScottP	0.80	1.1	27	3441	71⅛	69⅞	70⅞	+½
31	23	Scripps	0.44	1.6	12	101	27⅜	27	27⅛	-¼
28⅝	15⅞	ScudderNAF x	0.02	0.1		132	16½	16	16½	+⅛
12⅝	8¾	ScudderNEsF	0.16	1.8		242	9	8⅞	9	
18¾	12	SeaCnB	0.70	5.0	6	6	14	14	14	
16½	14¼	SeaC1.4625	1.46	0.6		8	15¼	15¼	15¼	
28	22⅞	S'gate			7	7178	26⅛	25⅞	25⅞	-½
32⅝	23¼	Seagrm	0.60	2.0	14	2769	30⅜	29⅞	30¼	+¼
29¾	17¼	Seagull En			30	84	18	17¾	17¾	-⅛
40½	28⅝	Sealed Air			31	190	u40⅝	39½	39½	-⅜
55⅛	42⅛	SearsR	1.60	3.0	16	7105	45¼	44⅞	44⅞	-¼
19¾	9¼	Seligm Sel	0.84	7.1		24	11¾	11⅝	11¾	
39¼	26	Sensormat	0.22	0.7	24	20280	31	28½	29⅞	-1⅞
39¾	17⅝	SequaA	0.60	2.7	8	17	22⅜	22	22	-⅝
40¼	21	SequaB	0.60	2.2	12	20	23¾	23	23	-⅜
[illegible]										
53¼	48	Xtra Corp	0.58	1.1	14	82	50⅞	50⅜	50½	-⅛
25¼	20	Yankee Egy	1.22	6.1	10	10	20⅜	20¼	20⅜	
42½	33⅞	York Int	0.18	0.5	15	378	35⅛	34⅞	35	+⅛
5½	1	Zapata	0.14	3.7	12	88	3⅞	3¾	3¾	-⅛
14⅛	7	ZenithEl			7	1308	11¼	10¾	10¾	-¼
27⅞	20⅝	Zenith Nat	1.00	4.5	10	24	22¼	21¾	22¼	+⅛
7⅞	6	Zweig Inc x	0.83	13.2		125	6¾	6⅝	6¾	
18⅛	11⅞	Zero	0.40	2.9	15	58	13⅞	13⅝	13¾	-⅛
29¾	18⅝	Zurn Ind	0.88	4.8	70	198	18½	18⅛	18¼	-⅛
13⅞	10⅛	Zweig Fund	1.04	6.3		211	11¾	11	11⅝	
10¾	7¼	Zweig Tot	0.64	9.7		201	6⅝	6½	6⅝	+⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994.
Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

NASDAQ NATIONAL MARKET

4 pm close January 25

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMEX COMPOSITE PRICES

4 pm close January 25

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

FINANCIAL TIMES Thursday January 26 1995

AMERICA

US stocks improve as rate fears recede

Wall Street

US shares began the day in negative territory, but bounced solidly positive by late morning in a wave of program buying and reduced fears of an aggressive interest rate increase next week, *writes Lisa Bransten in New York*.

By 1pm, the Dow Jones Industrial Average was up 22.87 at 3,885.57. The Standard & Poor's 500 gained 2.82 at 468.68 and the American Stock Exchange composite rose 1.49 to 438.89.

The Nasdaq composite slipped 0.87 to 762.33. Volume on the NYSE was active at 197m shares.

In testimony before two Congressional committees, Mr Alan Greenspan, chairman of the Federal Reserve, would not comment on whether the central bank would put up interest rates next week at its Open Market Committee meeting.

He cited both the low level of consumer prices during 1994 and described the economy as healthy, leading some to speculate that the Fed might not tighten monetary policy at the meeting.

Consensus held, however, that the central bank would raise rates by 50 basis points to 6 per cent, and Mr Greenspan also said that the Fed would carefully monitor inflationary pressures seen in data such as low unemployment and high capacity utilisation figures.

Also driving the market was another wave of corporate earnings reports.

Although Compaq Computer reported a 55 per cent increase in earnings for the fourth quarter of last year, the shares lost nearly 13 per cent of their value as the company said it did not expect an earnings increase for the first quarter of this year. At midday, the shares were changing hands at $37, down $5⅝ from Tuesday's close.

Pessimism about Compaq's earnings spread to other high technology issues yesterday and was a major reason the Nasdaq was the only major equity index to post a decline.

Apple Computer, which trades on the Nasdaq, was down $1 at $40⅝, Intel lost $¼ at $71¼, Sun Microsystems shed $⅝ at $32⅛ and Cyrix dropped $⅝ at $25⅝.

Microsoft gained $1/16 at $62⅛, and Lotus Development, which had dropped from a January 12 high of $44¼, surpassed that level yesterday by gaining $3⅝ at $44¼ in spite of reporting earnings below expectations.

Bausch & Lomb, the lens and eye-care company, dropped $1½ at $33⅛ after reporting a loss for the fourth quarter. The company also said it was the subject of an investigation by the Securities and Exchange Commission about its contact lens operations.

Philip Morris bounced back from a difficult 1993 to report a 17.4 per cent increase in net earnings for 1994, generally in line with expectations. Shares in the food and consumer goods conglomerate rose $⅝ at $58⅞ on the news.

Canada

Toronto stocks were higher at midday, with most sectors posting gains in active trading.

The TSE 300 composite index was ahead 8.63 at 4,089.26 in volume of 22.07m shares valued at C$318.3m. Declining issues edged out advances by 243 to 241, with 258 issues remaining unchanged.

Traders said that equities were helped by good corporate earnings, strength in Canadian bonds and higher Wall Street stocks.

Three of the market's 14 sub-indices posted losses at noon. The precious metals group weakened 41.04 to 9,002.31, followed by declines in transportation and conglomerates. Advances were led by the utilities, forestry, energy and banking sectors.

Slocan Forest Products moved forward C$¼ to C$15¼ on 133,722 shares after Canfor Corp's hostile takeover bid failed to get the minimum 51 per cent of Slocan's shares. Canfor, which has extended the bid, was off C$⅛ at C$17 in light volume.

BCE gained C$⅛ at C$42⅞ on 835,026 shares ahead of its fourth-quarter results expected later.

Fletcher Challenge Canada class A topped the TSE's most active list, firming C$⅛ to C$18⅞ on 1.41m shares.

Mexico

Mexico was unable to maintain early momentum and shares fell 1.3 per cent in late morning trading that was clouded by announcements of some poor 1994 corporate results. The IPC index lost 27.9 at 2,067.71 in low volume of 24.6m shares.

Earlier in the day, Alfa and Hylsamex, the steelmakers, and Sigma, the food processor, had reported sharp falls in 1994 earnings.

● Sao Paulo was closed for a city holiday.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Jan. 20 1995	% Change over week	% Change on Dec '94	Local currency terms Jan. 20 1995	% Change over week	% Change on Dec '94
Latin America	(259)	506.03	-6.5	-12.8			
Argentina	(30)	708.24	-5.7	-3.6	434,681.76	-5.7	-3.5
Brazil	(72)	348.91	-3.9	-9.2	1,107,767.675	-3.6	-9.1
Chile	(36)	753.88	-4.7	-3.9	1,234.55	-3.6	-2.1
Colombia[1]	(16)	915.05	+5.2	+12.7	1,388.34	+6.6	+16.1
Mexico	(73)	467.75	-12.2	-23.1	1,148.95	-5.2	-11.0
Peru[2]	(20)	150.91	-7.4	-15.4	200.71	-7.5	-15.6
Venezuela[3]	(12)	443.01	-3.5	-10.5	1,729.99	-3.5	-10.5
Asia	(659)	224.51	-0.9	-10.0			
China[4]	(20)	66.13	+1.5	-12.8	70.54	+1.5	-12.9
South Korea[5]	(159)	127.04	-0.4	-7.1	132.35	-0.7	-6.6
Philippines	(25)	256.10	-1.4	-14.1	304.98	-0.8	-13.2
Taiwan, China[6]	(93)	146.45	-3.5	-10.9	144.47	-3.6	-11.0
India[7]	(103)	112.95	-0.7	-8.5	125.67	-0.6	-8.5
Indonesia[8]	(42)	94.61	+5.0	-5.2	113.89	+2.3	-4.4
Malaysia	(114)	238.51	-1.6	-11.3	224.58	-1.9	-11.3
Pakistan[9]	(36)	346.68	-3.4	-5.3	485.36	-3.4	-5.1
Sri Lanka[10]	(19)	167.89	-2.4	-2.4	161.63	-2.2	-2.1
Thailand	(68)	356.74	+1.2	-7.0	355.20	+0.9	-7.1
Euro/Mid East	(147)	111.36	-3.5	-6.0			
Greece	(40)	219.72	-0.5	-2.6	349.54	-2.0	-4.9
Hungary[11]	(5)	134.68	-2.6	-11.2	181.24	-4.3	-12.3
Jordan	(8)	151.85	-0.5	+1.2	223.54	-0.7	+0.5
Poland[12]	(16)	457.37	-2.3	-2.6	694.05	-2.9	-3.6
Portugal	(29)	116.60	-2.4	-3.7	128.44	-2.8	-4.6
Turkey[13]	(44)	109.88	-8.2	-8.7	2,099.61	-4.5	-5.1
Zimbabwe[14]	(5)	267.23	+6.9	+9.2	328.00	+6.1	+8.8
Composite	(1065)	273.65	-3.6	-11.0			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)June 2 1993.

Equities on the Bombay Stock Exchange, which have been sliding steadily since about October, fell sharply earlier this week before staging a technical recovery yesterday, writes Shiraz Sidhva in New Delhi.

The 1 per cent gain yesterday was mainly due to settlements on the last day of the current settlement period, ahead of today'a Republic Day holiday.

Dealers in Bombay said that foreign institutional investors were becoming increasingly disillusioned with the Indian stock market and the country's recently liberalised system of trading. Foreign investors were already pressed for funds, following the currency crisis in Mexico.

Mr Bhagirat Merchant, president of the Bombay Stock Exchange, said political uncertainty after the ruling Congress(I) party fared badly in assembly elections in four southern Indian states in November had contributed to the fall in the BSE index. A ban on renewals and the cancellation of the *badla*, or forward trading system, had also led to the decline. The *badla* system allowed brokers and buyers to carry outstanding purchases from one settlement period to the next without paying for them in full, allowing them to acquire large volumes of shares with relatively little money. This informal forward market accounted for 70 to 90 per cent of the stock market, before it was banned in December 1993 by the Securities and Exchange Board.

Mr Merchant said yesterday that the government would have to take steps to avert a crisis and frame new rules to improve the system. The government was considering introducing some form of futures trading in shares or an index-based futures system to replace the *badla*. "Though the market is fundamentally strong, it has been sliding for over three months now, and there is enough cause for the government to be alarmed and do something at this stage," he added.

EUROPE

German construction stocks weaken

Some consolidation of Continental markets continued yesterday, with individual company news featuring, *writes Our Markets Staff*.

FRANKFURT remained on the upside, although car stocks generally continued to suffer. The Dax index improved 8.80 to 2,026.84 in turnover of DM7.5bn. Daimler fell DM6.20 to DM704.80 and Volkswagen lost DM3.90 at DM403.70, both in large volume, and with US institutions believed to be heavy sellers. BMW was the exception, reversing a DM5 fall during official hours, to move into positive territory during electronic trading, adding DM9 at DM735.50.

The construction sector went against the trend, partly in reaction to a report from the Institute for Economic Research which suggested that public sector building contracts throughout western Germany over the next 10 years would decline. The major construction groups, heavily exposed to the public sector, moved lower, with Hochtief off DM 21 at DM827, Bilfinger & Berger down DM7 at DM718 and Holzmann retreating DM2 to DM783.

Hochtief also announced late yesterday that it would make a statement today on its bid to raise its 20 per cent stake in Holzmann, while the cartel office was also due to announce its final decision on the plan.

PARIS greeted the first session of the new account with a solid advance which took the CAC-40 index above the 1,800 level, closing 22.28 ahead at 1,802.46.46. Turnover was FFr3.2bn.

The government announced that pre-marketing for the privatisation of Seita, the tobacco monopoly, would begin today, with the institutional placement expected to be priced at between FFr126 to FFr134, placing a value of up to FFr7bn on the group.

Bid rumours circulated, with BNP, up FFr5.40 at FFr234, said to be considering a takeover of TSB, of the UK. The French bank was also believed to have confirmed yesterday that its CIP division had been buying shares in Suez, up FFr6.40 at FFr232, as part of "normal portfolio operations". Some 3 per cent of Suez shares had changed hands in the last three sessions, dealers said.

Pechiney, the aluminium group which announced managerial changes and said it was aiming for privatisation by the end of the year, added FFr2.20 at FFr382.20.

MILAN ran into profit-taking after Mr Lamberto Dini duly survived the parliamentary confidence vote, although the large number of abstentions demonstrated the new government's vulnerability. The Comit index declined 8.71 or 1.3 per cent to 664.75.

Mr James Cornish at NatWest Markets remained positive, however, and continued to overweight the market on the view that it was cheap. He believed that Mr Silvio Berlusconi and his allies would resist the temptation to bring down the new government since this would entail the risk that the right would be seen as precipitating a lira crisis and wrecking Italian economic recovery.

Olivetti was a sharp loser on the day, down L89 or 4.1 per cent to L2,084, and Cir, Mr Carlo de Benedetti's holding company, fell L80 to L1,877 on resurfacing worries that Olivetti would turn in poor 1994 results.

Fochi, the engineering group, added to Tuesday's 15 per cent rise with another of L230 or 10.2 per cent at L2,505 in volume of 4.2m shares as speculators returned after the recent heavy falls. The shares had lost 45 per cent since the start of the year after local press speculation, subsequently denied by the company, of a stock restructuring.

ZURICH finished easier, with the mood depressed by the lower dollar, and the SMI index fell 9.3 to 2,525.5.

Nestlé lost SFr12 to a 14-month low of SFr1,162 as investors demonstrated disappointment with the company's lower than expected volume sales growth of 2.3 per cent, compared with expectations for growth of 3 per cent.

Sulzer registered fall SFr41 or 4.7 per cent to SFr831 after the company reported that new orders were unchanged in 1994 and Mr Ivo Hantusch at UBS downgraded the mechanical engineering group to a hold from a buy after cutting his 1994 and 1995 earnings per share forecasts.

Brown Boveri, up SFr6 at SFr1,126, was a beneficiary of switching out of Sulzer and comments from ABB on Tuesday that its fourth-quarter performance was in line with the previous three quarters.

AMSTERDAM edged lower, still lacking clear direction, and the AEX index finished 0.43 easier at 407.09.

Hoogovens, however, was Fl 1.50 higher at Fl 78.10 after a positive recommendation from Goldman Sachs. ING, which said that it planned a banking joint venture in North Korea, closed 50 cents cheaper at Fl 78.50.

Written and edited by John Pitt and Michael Morgan

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Jan 25 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1298.82	1299.79	1300.97	1299.97	1298.05	1295.39	1293.94	1294.51
FT-SE Eurotrack 200	1356.73	1357.14	1358.37	1357.97	1358.41	1352.90	1351.42	1353.78

	Jan 24	Jan 23	Jan 20	Jan 19	Jan 18
FT-SE Eurotrack 100	1298.33	1291.62	1313.82	1323.84	1327.91
FT-SE Eurotrack 200	1355.17	1346.48	1368.18	1379.91	1384.86

Base 1000 (26/10/90); High/day: 100 - 1301.57; 200 - 1359.83 Low/day: 100 - 1292.35 200 - 1349.32 † Partial

ASIA PACIFIC

Kobe reconstruction theme boosts volume

Tokyo

Active trading of shares related to the reconstruction of Kobe boosted volume, and the Nikkei 225 average closed moderately higher, *writes Emiko Terazono in Tokyo*.

The index gained 98.75 at 18,159.48 after moving between 18,095.75 and 18,412.61. Investors bought construction, housing and building materials stocks on hopes of increased demand from the reconstruction of the city ravaged by last week's earthquake. But profit-taking and arbitrage unwinding in the afternoon eroded some of the gains.

Volume totalled 592m shares, rising above 500m for the first time since June last year, excluding trading dates for quarterly futures and options settlements. Public fund and pension fund managers were among the buyers, while institutional investors and foreigners sold into strength.

The Topix index of all first section stocks rose 15.73 to 1,426.03, while the Nikkei 300 added 2.41 at 260.98. Gainers led losers by 788 to 264, with 133 issues unchanged. In London the ISE/Nikkei 50 index put on 2.71 at 1,165.52.

Some analysts said the demand for construction stocks was speculative, with most of the trading done by individual investors and dealers looking for short term profits, and by traders who were covering short positions.

"It is hard to tell how long the rally [in the construction sector] will last, but in terms of valuation many of the stocks are too expensive," said Ms Keiko Ohtsuki, construction analyst at Morgan Stanley. She warned that while many of the contractors would benefit from the reconstruction, the effects on earnings would not appear quickly, and that the bulk of the buyers would be quick to sell off their positions once activity slackened.

The construction sector dominated active stocks. Sumitomo Osaka Cement, the most active issue of the day, climbed Y36 to Y555, while Daido Concrete moved ahead Y70 to Y550 and Nihon Cement Y14 to Y724. Obayashi rose Y40 to Y770 and Aoki Y47 to Y508.

Steel companies were also bought, with Nippon Steel up Y11 to Y344.

Profit-taking hit Nippon Telegraph and Telephone, which lost Y12,000 at Y783,000. Some electronics stocks were also lower, NEC retreating Y18 to Y952 and Sony falling Y80 to Y4,920.

In Osaka, the OSE average advanced 357.70 to 20,379.54 in volume of 77.8m shares.

Roundup

Technical recovery and bargain hunting was the theme.

HONG KONG was encouraged additionally by better than expected government land auction results as the Hang Seng index rose 217.82 or 3.1 per cent to 7,240.72.

Turnover was flat at a provisional HK$3.02bn. The land auction results were not good but better than predicted, with only one site withdrawn against the two expected. Property shares were nearly 4 per cent stronger.

KUALA LUMPUR saw heavy fund buying in blue chips as the KLSE composite index ended 29.88 or 3.5 per cent up at 870.75. Genting led blue chips with a M$1.20 rise to M$20.30 and property developer Asas Dunia led activity on its debut, closing at M$4.06, a premium of 69 per cent on its IPO price of M$2.40.

SINGAPORE traders said its rebound was very technical as bargain hunting by institutional funds took it up 2.3 per cent, the Straits Times Industrial index firming 43.56 to 1,962.58 in volume of 154.2m shares.

TAIPEI reported big buying in steels and textiles by individuals and investment trusts as the weighted index followed Tokyo and Hong Kong higher with a gain of 131.83 or 2.1 per cent at 6,299.62 in T$47bn turnover. But brokers said today's rebound did not mean the market has reversed its downtrend and saw heavy selling pressure emerging at around 6,400.

BANGKOK dealers said a plan to launch new mutual funds by Friday, aiming at shoring up equity prices, helped as the SET index rose 20.43 to 1,213.78 in turnover down from Bt6.98bn to Bt4.47bn. MANILA brokers said short-term investors were buying back shares they had sold at higher prices as the composite index gained 50.25 or 2.1 per cent at 2,425.18.

KARACHI stayed bearish, tumbling 3.5 per cent on heavy selling orders from foreign funds. The KSE 100 index closed at 1,787.50.

SYDNEY fell in spite of better than expected December quarter consumer price index data, the All Ordinaries index closing 11.8 lower at 1850.3.

WELLINGTON was dragged lower by Carter Holt and Fletcher Challenge, off 3 cents at NZ$3.46 and 13 cents at NZ$3.61. The NZSE-40 index fell 15.48 to 1,907.65.

SOUTH AFRICA

Shares finished lower amid a lack of firm interest and renewed gold price weakness. The recovery in Asian markets and gains in London had done little to help sentiment, traders commented.

The overall index declined 52.7 to 5,261.5, the industrial index was 40.5 off at 6,428 and the golds index dropped 47 or 2.7 per cent to 1,678.9.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY JANUARY 24 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JANUARY 23 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	167.04	0.8	155.13	105.25	131.37	144.14	0.4	4.00	165.72	154.08	104.47	130.06	143.61	189.15	161.21	176.40
Austria (16)	174.05	-0.2	161.64	109.66	136.88	138.59	-0.1	1.19	174.34	162.09	109.90	138.82	136.72	196.89	157.46	187.13
Belgium (35)	168.07	0.0	156.08	105.89	132.17	129.27	0.2	4.27	168.03	156.22	105.92	131.87	128.96	177.04	161.53	182.22
Brazil (28)	143.28	0.9	133.07	90.28	112.68	224.71	1.0	1.00	142.01	132.03	89.52	111.45	222.58	-	-	-
Canada (103)	124.42	0.8	115.54	78.39	97.84	127.73	0.5	2.71	123.48	114.80	77.84	96.90	127.01	143.28	120.54	141.67
Denmark (33)	248.19	-0.3	228.68	165.11	193.61	199.69	-0.1	1.49	248.89	229.54	155.83	193.75	199.87	275.79	236.61	261.85
Finland (24)	188.10	0.6	174.69	118.51	147.93	185.25	0.8	0.75	186.92	173.78	117.83	146.69	183.87	201.41	133.86	144.75
France (102)	158.04	0.2	146.77	99.58	124.29	129.81	0.3	3.31	157.79	146.71	99.47	123.83	129.57	185.37	157.79	177.00
Germany (58)	140.17	-0.6	130.17	88.31	110.23	110.23	-0.4	1.89	141.01	131.11	88.89	110.66	110.66	150.40	128.37	128.65
Hong Kong (56)	278.77	0.6	258.90	175.65	219.24	276.78	0.5	4.51	277.40	257.91	174.87	217.70	275.47	493.01	277.40	476.22
Ireland (16)	207.51	1.2	192.72	130.75	163.20	185.20	1.2	3.44	204.97	190.57	129.21	160.86	183.05	216.60	177.56	205.21
Italy (59)	82.02	-0.3	76.19	51.68	64.51	97.13	-0.3	1.60	82.31	76.52	51.88	64.59	97.40	97.78	67.25	89.08
Japan (484)	141.44	1.4	131.36	89.12	111.24	89.12	1.4	0.85	139.45	129.65	87.90	109.44	87.90	170.10	134.89	134.89
Malaysia (97)	398.16	-0.8	369.77	250.87	313.14	392.83	-0.6	2.14	401.42	373.22	253.05	315.03	395.24	594.78	398.16	480.64
Mexico (18)	1099.46	0.1	1021.05	692.72	864.65	6930.05	1.0	1.48	1098.32	1021.14	692.35	861.93	6862.85	2647.06	1028.59	2474.57
Netherland (19)	219.21	0.7	203.58	138.12	172.40	169.73	0.9	3.40	217.69	202.39	137.23	170.84	168.18	223.30	191.28	203.62
New Zealand (14)	72.05	-1.1	66.91	45.40	56.67	59.23	-1.5	4.94	72.85	67.73	45.92	57.17	60.13	77.59	62.05	70.53
Norway (23)	207.96	0.5	193.14	131.04	163.56	166.78	0.6	1.85	205.99	192.45	130.48	162.44	165.60	214.65	177.53	195.21
Singapore (44)	313.94	-0.2	291.55	197.80	246.90	209.95	-0.1	2.04	314.61	292.50	198.32	246.90	210.18	401.38	294.66	341.40
South Africa (59)	296.72	0.4	275.56	186.95	233.35	268.17	-0.8	2.48	295.62	274.85	186.35	232.00	269.76	342.00	205.56	248.35
Spain (38)	127.69	0.5	118.58	80.45	100.42	127.66	0.8	4.54	127.04	118.11	80.08	99.69	126.61	155.79	124.87	144.12
Sweden (48)	237.42	1.3	220.49	149.59	186.72	261.57	1.4	1.49	234.45	217.97	147.79	183.99	258.09	242.81	186.70	220.38
Switzerland (47)	163.92	0.1	152.23	103.28	128.91	129.18	0.6	1.89	163.78	152.28	103.25	128.53	128.52	176.58	149.91	167.65
Thailand (46)	131.71	-1.8	122.32	82.99	103.59	128.21	-1.8	3.08	133.83	124.43	84.36	105.03	130.27	-	-	-
United Kingdom (205)	192.64	0.8	178.90	121.38	161.50	178.90	0.5	4.31	191.53	178.07	120.74	150.31	178.07	214.96	181.11	213.18
USA (513)	190.65	0.0	177.05	120.12	149.93	190.65	0.0	2.82	190.58	177.19	120.14	149.56	190.58	198.04	178.95	191.82
Americas (682)	175.55	0.1	163.04	110.61	138.06	147.32	0.1	2.87	175.42	163.09	110.58	137.67	147.20	-	-	-
Europe (723)	167.71	0.3	155.78	105.67	131.89	146.55	0.4	3.19	167.26	155.50	105.43	131.26	146.01	178.56	160.59	172.76
Nordic (128)	227.12	0.6	210.93	143.10	178.62	211.67	0.9	1.40	225.32	209.48	142.03	176.82	209.77	233.91	197.70	210.81
Pacific Basin (808)	147.73	1.2	137.20	93.08	116.19	98.98	1.2	1.28	145.93	135.68	91.99	114.53	96.85	178.86	145.93	148.18
Euro-Pacific (1532)	155.97	0.6	144.84	98.27	122.66	116.18	0.8	2.12	154.73	143.85	97.54	121.42	115.22	175.14	154.73	158.25
North America (616)	186.56	0.1	173.24	117.53	146.71	186.35	0.1	2.91	186.42	173.32	117.52	146.30	186.25	192.73	175.67	188.70
Europe Ex. UK (518)	150.58	0.1	139.84	94.87	118.42	127.19	0.3	2.63	150.43	139.86	94.83	118.05	126.80	158.12	144.12	148.25
Pacific Ex. Japan (325)	211.45	0.1	196.36	133.22	166.28	185.24	0.0	3.61	211.18	196.35	133.13	165.74	185.23	291.75	211.19	276.52
World Ex. US (1740)	156.65	0.6	145.47	98.70	123.19	119.47	0.6	2.13	155.42	144.50	97.97	121.97	118.54	176.65	155.42	160.40
World Ex. UK (2048)	164.28	0.5	152.57	103.51	129.20	136.99	0.5	2.21	163.48	151.97	103.04	128.28	136.29	176.59	163.46	165.76
World Ex. Japan (1769)	181.89	0.2	168.92	114.60	143.04	172.09	0.2	3.03	181.60	168.84	114.48	142.52	171.80	195.20	176.34	189.55
The World Index (2253)	166.77	0.5	154.88	105.07	131.15	140.78	0.5	2.42	165.92	154.26	104.59	130.21	140.05	180.80	165.92	169.97